

GEORGIA'S SEARCH FOR THE THIRD WAY

157

DESPITE A WESTWARD PULL, GEORGIA
ATTEMPTS TO IMPROVE ITS RELATIONS WITH RUSSIA

Sinikukka Saari

FIIA BRIEFING PAPER 157 • June 2014



ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

GEORGIA'S SEARCH FOR THE THIRD WAY

DESPITE A STRONG WESTWARD PULL, GEORGIA ATTEMPTS TO IMPROVE ITS RELATIONS WITH RUSSIA

FIIA Briefing Paper 157

June 2014



Sinikukka Saari
Senior Research Fellow
The Finnish Institute of International Affairs

- Russia is not likely to resort to overt political pressure on Georgia in the run-up to Georgia's signing of the Association Agreement with the EU (27 June), and the NATO Summit in Wales (4–5 September). This is partly due to its weak levers and the fact that they cannot be strengthened within a short time span.
- Instead, Russia is likely to apply a dual strategy by strengthening its indirect 'influence tools' that are operating within Georgian society, as well as by continuing dialogue and pragmatic cooperation with the Georgian leadership – at least for the time being.
- Moscow is likely to stand firm on the issue of the breakaway territories of Abkhazia and South Ossetia. In all likelihood, Russia will seek to increase its control over the territories, and to hamper any rapprochement between Georgia and the separatist territories.
- Despite the fact that the Russian intervention in Ukraine is likely to deter and delay substantial progress in the cooperation between Georgia and Russia, both sides seem to be willing to continue on the path of 'normalisation'.
- A practical compromise on the Georgian westward course seems to be emerging: in all likelihood Georgia will sign the Association Agreement with the EU without much Russian interference, but NATO will not offer Georgia a Membership Action Plan at the Summit.

The EU's Eastern Neighbourhood and Russia research programme
The Finnish Institute of International Affairs

Georgia has pursued a westward policy rather consistently since the late 1990s, seeking closer cooperation with NATO and the EU with the stated aim of becoming a member of both institutions at some undefined point in the future. The other side of the coin has been a downward spiral in its relations with Russia during the 2000s. This spiral ended with the war in August 2008 and Russia's recognition of the independence of Georgia's breakaway territories of South Ossetia and Abkhazia.

In autumn 2012 a new 'Georgian Dream' government was established in Georgia, which pledged to mend ties with Russia while keeping Georgia on the westward course towards NATO and the EU. The new Georgian policy towards Russia has met with some successes – such as the lifting of the seven-year-long embargo on Georgian wine and mineral water – but the rapprochement is likely to be overshadowed by Russia's support for and control of the two separatist entities.

2014 is going to be a litmus test for the new Georgia–Russia relations – and not only due to Russia's intervention in Ukraine. Georgia is getting ready to sign the Association Agreement (AA) with the EU on 27 June. This historic event will be followed by a NATO Summit in Wales on 4–5 September, during which Georgia's bid for a Membership Action Plan (MAP) will once again be considered. These events will undoubtedly put a strain on the relationship, as one of Russia's primary goals in the post-Soviet space is to limit the influence of Western institutions, and to strengthen its own influence and establish a credible, expanding Eurasian alternative – the Eurasian Union.

However, the achievement of these Russian goals in Georgia is inhibited by a contradiction: the Russian political elite see South Ossetia and Abkhazia as guarantees of long-term Russian influence in the Caucasus region, but the Russian-led Eurasian Economic Union is unlikely to hold any appeal for Georgia as long as the Russian 'occupation' of Georgian territory continues.

Given this contradiction, it is predicted that Russia will most likely try to prevent advances in Georgia's Euro-Atlantic integration by means of indirect 'influence tools' operating within Georgian society, rather than by exerting direct political pressure from the outside.

Russia's current leverage over Georgia

Typical Russian levers in the post-Soviet states include soft power and support for 'compatriots' and separatist groups, energy policy and economic relations. Russia has some considerable levers in Georgia, but given the problematic past and the fact that many of these have been tried and tested without significant results, their effectiveness would in all likelihood be limited or even counterproductive.

Soft power

Overall, the Russian soft power appeal in Georgia has weakened considerably during the post-Soviet period, particularly since the cooling of relations in the early 2000s. However, the general attitude of Georgians towards Russia is nuanced. A clear majority believe that relations with Russia should be improved. Although not non-existent, pro-Russian stances remain rare in politics and civil society at large. A staggering 85 per cent of Georgians surveyed in November 2013 supported Georgia's goal of joining NATO and the EU.

Russia often reaches out to its 'compatriots' in the former Soviet Union (FSU) and seeks influence in the internal affairs of post-Soviet states in their name. However, there is no significant Russian minority in Georgia (with the exception of the breakaway territories' Russian passport-holders). The ethnic Russian minority in Georgia comprises only 1.5 per cent of the population, and hence it can hardly be used effectively as a 'hook' for influence in Georgia.

Energy lever

In most strategic sectors, Georgia is rather well-insulated against direct Russian pressure. Most importantly, Georgia is not dependent on Russian energy, as 90 per cent of its oil and gas comes from Azerbaijan. The 10 per cent of gas that Georgia receives from Russia is effectively a transit payment for the Russia–Armenia pipeline cutting across Georgia. In the event that this source was cut off, it could be substituted with others. During the summer months, Georgia is a net exporter of energy. A stretch of the Baku–Supsa pipeline crosses South-Ossetian territory, but only for 1–1.5 km. In the unlikely event that South Ossetia or Russia tried to take advantage of this fact by hampering the flow, a short stretch of new pipeline running wholly through Georgia proper could be built. Hence, the pipeline hardly constitutes a major lever.

Russia has made some investments in the Georgian energy sector and has attempted to invest still further. Russia has no share in the pipelines crossing Georgia, but owns a share of Georgian infrastructure and services such as electricity and gas distribution. For instance, RAO UES owns Telasi, the electricity distribution network of Tbilisi.

Economic lever

Russia's economic lever in Georgia weakened considerably in the 2000s. In 2001, Russia was Georgia's biggest trading partner and could threaten Georgia with embargoes and sanctions affecting the whole Georgian economy. In late 2005 Russia restricted exports of agricultural goods and, in the following year, imposed a ban on mineral water and wine from Georgia. The bans hit the Georgian economy hard, and pushed Georgia to seek trading partners elsewhere. In 2012, Russia was Georgia's 6th biggest trading partner. This trend has recently been reversed. In April 2013 Russia finally lifted its ban on Georgian goods and, as a result, Russia rose to 4th place in the list of Georgia's trading partners, with half of Georgian wine exports going to Russian markets in 2013. Some Georgian observers are concerned about the significant share sold to Russia as it might increase the country's economic dependency on Russia, and thus its vulnerability.

Several Russian firms operate in Georgia's banking sector, most notably VTB Bank, and Russian private investors bought two of the biggest mining companies in Georgia in 2012. However, Russian direct investments in strategic sectors in Georgia remain modest in comparison with several other states in the area of the former Soviet Union.

Given the decades-long problematic relations with Russia and Russia's similarly aggressive policies in other former Soviet republics, Georgian decision-makers are keen to monitor any changes in the level of Russian influence in Georgia. It seems that even with the stated pragmatic engagement policy with Russia, the Georgian government remains cautious in its engagement with Russia.

It has been estimated that there are approximately 1 million Georgians living in Russia, and Russia is by far the largest source of remittances to Georgia. About half of the Georgian remittances come from Russia and its share has even increased slightly in recent years. During the first seven months of 2013,

434.8 million USD was transferred from the Russian Federation to Georgia (53.9 per cent of all remittances to Georgia during that period). According to the World Bank, Georgia's GDP is 15.7 billion (2012), giving the remittances from Russia an approximate 4.7 per cent share of Georgia's GDP. This is a large sum, and the migrant issue is a lever that Russia could potentially use against Georgia, as it has done in the past. Following the disagreement between Russia and Georgia over the so-called military spy crisis in 2006, Russia expelled several hundred Georgian migrant workers, and severed all travel and communication links to Georgia for a time. However, this was a short-lived protest rather than a carefully planned and applied economic blockade on the part of Russia.

Separatist lever

The most obvious Russian lever over Georgia is its control of the breakaway regions of Abkhazia and South Ossetia, and one which Russia has managed to strengthen significantly over the years. To date, these territories are completely dependent on Russian economic and political support: an overwhelming majority of their inhabitants are Russian citizens, while Russia dominates their internal political processes, economy and media space, and provides them with security. At the same time, the breakaway regions' contacts with other parts of Georgia and the outside world have diminished.

The appeal of Russian soft power is very strong in the breakaway regions. Close contact with Russia is a lifeline for both entities, as movement across the Administrative Boundary Line that separates the entities from the rest of Georgia is increasingly controlled and restricted. Very few younger generation South Ossetians and Abkhazians have ever had first-hand contact with Georgians from Georgia proper – or foreigners apart from Russians – so they are even more oriented towards Russia and Russian culture than the older generation.

Despite having invested millions in the breakaway regions, this has not yet translated directly into Russian ownership of Abkhazian or South Ossetian industries, or even property. Both of the *de facto* states have restricted foreigners' rights to own land and to make direct investments in strategic sectors. There is pressure from Russia to allow more Russian ownership, and this issue is likely to be a potential source of tension between Russia and the breakaway

regions in the near future (this mainly relates to Abkhazia, as running a business in South Ossetia is considerably less appealing).

Unlike Abkhazia, South Ossetian leaders – and very likely the public too – would like South Ossetia to join the Russia Federation. In essence, this is a strategy for survival: the extremely poor *de facto* state suffers from its own policy of severing almost all links and access to Georgia proper, and from the fact that its trade with Russia is burdened with high customs and logistical costs. Of the post-Soviet states, only Russia has recognised South Ossetian independence, and hence South Ossetia's membership of the Eurasian Economic Union – or any other regional arrangement facilitating trade for South Ossetia – is ruled out.

Prior to the 2008 conflict, the breakaway regions offered Russia an active and effective instrument to apply pressure to various political issues in Georgia. The logic was that if Georgia doesn't do what Russia wants, it will recognise the independence of the separatist entities. But once pulled, this lever lost some of its political utility. While Russia may have exhausted the *de facto* states as a 'stick' lever vis-à-vis Georgia, they could still potentially be used as a 'carrot'. As an extreme example, Russia could offer to withdraw the recognition of, or support for, the breakaway regions if Georgia renounces its Euro-Atlantic aspirations and joins the Eurasian Union. However, this kind of bargaining chip is detached from political reality and is not supported by the current Russian leadership.

Despite the current *détente* between Russia and Georgia, Russia's stance on the breakaway regions will remain unchanged – at least as long as Putin remains in power. This 'status' topic remains one that Russia is not willing to discuss with Georgia. The formal state-building in the breakaway regions and the maintenance of substantial Russian control is set to continue. Although a small issue in the overall Russian foreign policy, the breakaway regions have an important role to play in Russia's strategy towards the Caucasus. This role was hardly weakened by the appointment of Vladislav Surkov – a prominent and extremely influential figure in setting up the whole Putin system – to the post of presidential aide responsible for relations with South Ossetia and Abkhazia. Furthermore, the Russian policy towards the breakaway regions is not

challenged by Russian public opinion. The Russian popular ultra-right campaign 'Stop feeding the Caucasus' targets the North-Caucasian Islamist-dominated republics, not the South-Caucasian breakaway republics. Russian support for South Ossetia and Abkhazia is much less problematic, and the Russian public broadly support Putin's policy towards the regions.

Russia's potential 'influence tools' in Georgia

Since the early 2000s, Russia has developed a more coordinated policy towards the post-Soviet space, which combines foreign policy with more indirect 'influence tools'. Examples of these tools – mainly from Ukraine – include 'elite capture' through corruption, the establishment and use of networks of economic dependency, sponsorship of political parties, NGOs and other 'sympathetic forces', and active shaping of the media space through ownership and media campaigns in international and post-Soviet space.¹

As noted above, the Russian minority in Georgia is a small one. However, as the case of Abkhazia and South Ossetia vividly demonstrates, other minorities can also be deployed to advance Russian goals in other states. In a recent survey carried out by CRRG Georgia, 71 per cent of Azeri and Armenian minority representatives interviewed believed that Georgia should seek 'the closest political cooperation' with Russia, and only 30 per cent suggested giving foreign policy priority to the EU. In comparison, 69 per cent of interviewed ethnic Georgians believed that Georgia should seek the closest political cooperation with the EU. This suggests that the Azeri and Armenian minorities – together constituting over 12 per cent of the inhabitants in Georgia – are at least more oriented towards Russia than the majority of Georgians. Non-Georgian minorities are also more likely to follow the Russian media – mostly TV – than the Georgian media. However, there is no indication that Russia has stepped up support for the non-Georgian minorities – apart from those in

1 James Greene (2012): *Russian Responses to NATO and EU Enlargement and Outreach*, Chatham House Briefing Paper, June. Available at: http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0612bp_greene.pdf.

South Ossetia and Abkhazia – in Georgia and hence, at most, they constitute a latent or potential source of Russian leverage over Georgia.

One of the most notable changes in Georgian society recently has been the strengthening of the conservative religious stance, which has become more political and vocal in its alignment with anti-Western rhetoric. The Georgian Orthodox Church (GOC) has taken the central role in this campaign against liberal secular values associated with the “West”, often embodied in the EU. Due to the similarity of the agendas, there has been public speculation over Russia’s involvement in the campaign led by the GOC. However, in a meeting with the EU’s Enlargement and Neighbourhood Commissioner Stefan Füle in March 2014, Patriarch Ilia II claimed that ‘I want to say that incorrect information is disseminated in some countries that the Georgian Church hinders this [EU integration] process. I want to assure you that the Georgian Church will do everything in order to realise this idea [EU integration]’.²

Nevertheless, the Russian-owned and Russian-sponsored media are already playing on the claimed incompatibility of traditional Georgian and liberal Western values. The aim appears to be to drive a wedge into Georgian society to weaken the Euro-Atlantic political orientation of the Georgian ruling elite and the public at large. This campaign is being bolstered by the financing of Georgian NGOs and think tanks. For instance, in 2013 the Russian-supported Eurasian Institute established ‘the People’s Movement for Russian-Georgian Dialogue and Cooperation’, which organises demonstrations and meetings in support of the pro-Russian agenda in Georgia. Some prominent figures in the Russian-Georgian business elite advocate a similar agenda. At least for now these actors remain on the periphery of Georgian society and public debate without any significant support base.

What to expect?

For obvious reasons, the political elite – and the Georgian public at large – sympathise with Ukraine’s

current struggle with Russia. In March, Prime Minister Irakli Garibashvili commented that although he is worried about the situation in Ukraine and that Tbilisi ‘firmly condemns infringements of state sovereignty’, the government is pursuing ‘pragmatic’ and ‘firm’ policies. Furthermore, he claimed that Georgia’s Western partners hail Georgia’s ‘constructive policy’ towards Russia.³ Despite some delays, the meetings between special representative for Russian relations Zurab Abashidze and deputy foreign minister Grigory Karasin have continued, and the tone of the meetings has been conciliatory.

Russia has sent somewhat mixed signals on how it will react in the very likely event that Georgia signs the Association Agreement with the EU on 27 June 2014. According to Abashidze, Russia has promised not to resort to pressure and to continue cooperation with Georgia.⁴ On the other hand, a Russian Foreign Ministry spokesperson recently stated that Georgia needs to understand the consequences of signing the agreement.⁵

What could Russia do if it wanted to punish Georgia for signing the AA? The easiest deployable measures would be to reinstate the ban on Georgian goods and to deport Georgian nationals from Russia. By deploying these measures, Russia would certainly hurt the Georgian economy considerably, but it is difficult to see how these measures could bring any positive results for Russia.

Firstly, Georgia has already survived the deployment of these measures in the past, and the result would hardly be different now. Secondly, active Russian pressure could potentially lead to a change of government in Georgia, but the new government would hardly be more pro-Russian. On the contrary, it would most likely be more anti-Russian. All in

2 “Patriarch: ‘Church will Do Everything to Make Georgia EU Member’”, *Civil Georgia*, 4 March 2014. Available at: <http://www.civil.ge/eng/article.php?id=27008>.

3 ‘PM Garibashvili Comments on Ukraine’, *Civil Georgia*, 13 March 2014. Available at: <http://www.civil.ge/eng/article.php?id=27033>.

4 ‘Karasin said Russia will not pressure us over Association Agreement, Abashidze’, *Tabula*, 17 April 2014. Available at: <http://www.tabula.ge/en/story/82333-karasin-said-russia-will-not-pressure-us-over-association-agreement-abashidze>.

5 ‘Russian MFA on EU-Georgia Association Agreement’, *Civil Georgia*, 22 May 2014. Available at: <http://www.civil.ge/eng/article.php?id=27256>.

all, it is realistic to assume that punishing Georgia in this way would only make it scurry towards the West even faster.

In principle, Russia could attempt to use the break-away territories as a 'carrot' to lure Georgia away from the Association Agreement, but – as stated earlier – this idea seems detached from the current reality. The potential for the unification of South Ossetia with Russia has been strengthened with the annexation of Crimea. So far this topic is on the South Ossetian agenda, rather than the Russian one. The recent events seem to have emboldened South Ossetian leaders to hail the idea of unification – a topic which used to be hushed up until recently. Although Russians and South Ossetians are likely to support the idea of unification, the international price tag would be high for Russia and one that it could hardly afford – at least right now. If a unification plan was voiced, Georgia would practically be forced to cease all cooperation with Russia.

Moscow must be fully aware of the fragility of its levers in Georgia, and that the potential overt pressure could easily backfire. It is therefore more likely that Russia will pursue a dual agenda during 2014 and beyond: keeping the channels open and cooperating with Georgia despite its westward course, while simultaneously strengthening its so-called influence tools in Georgia, and actively promoting the idea of the incompatibility of liberal Western values with those of traditional religious Georgia.

The EU has generally been uncomfortable with notions of geopolitical competition with Russia in the Eastern Partner states. The EU would rather approach increased engagement in the east with inclusive rhetoric and the accommodation of some Russian interests; indeed, the EU is likely to be one of the key 'Western partners' hailing Georgia's 'constructive approach' to Russia, which Garibashvili mentioned in his comment on Ukraine.

It seems realistic to assume that Georgia will not be offered a NATO Membership Action Plan this autumn. Although NATO's eastern member states are eager to show support and solidarity for Georgia, major NATO states such as France and Germany are openly against the idea of continuing NATO's eastern enlargement. Several other member states are reluctant to irritate Russia now that negotiations over Ukraine seem to have got underway. Despite

the events in Ukraine, the US strategic interest in the post-Soviet states has lessened with its strategic rebalancing towards Asia.

The practical compromise that seems to be emerging is that while Georgia's engagement with the EU is being enhanced, the realisation of Georgia's NATO membership aspirations will be postponed to the distant future. In practice, this is likely to mean that Georgia's Western orientation will increasingly be structured around the EU, and decreasingly around NATO and the US.

The Finnish Institute of International Affairs
tel. +358 9 432 7000
fax. +358 9 432 7799
www.fii.fi

ISBN 978-951-769-421-6
ISSN 1795-8059

Cover: George Mel/Flickr
Language editing: Lynn Nikkanen

The Finnish Institute of International Affairs is an independent research institute that produces high-level research to support political decision-making and public debate both nationally and internationally. The Institute undertakes quality control in editing publications but the responsibility for the views expressed ultimately rests with the authors.