



THE ATLANTIC COUNCIL
OF THE UNITED STATES

Post-Conflict Georgia

David L. Phillips • Project Director and Author

Policy Paper
September 2008



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OF THE UNITED STATES

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Foreword

Shortly after the release of the Atlantic Council's report, *Restoring Georgia's Sovereignty in Abkhazia*, Russia invaded Georgia and war broke out over the breakaway region of South Ossetia. The United States and its European partners were put to the test; Moscow's recognition of South Ossetia and Abkhazia not only challenged Georgia's sovereignty, but by demonstrating its willingness to use military action, Moscow also sent a message about Georgia's Euro-Atlantic aspirations as well as the viability of energy transport projects running from the Caspian, through Georgia, to western markets.

In this light, the Atlantic Council considered it a matter of urgency to revisit the issue of Georgia's future. This report on *Post-Conflict Georgia* was prepared by David L. Phillips, a non-resident senior fellow at the Atlantic Council of the United States, and director of its "Forum on Georgia and the Caucasus." *Post-Conflict Georgia* outlines the tasks facing the Georgian government and the international community, which has a stake in Georgia's future. It makes important recommendations in support of Georgia's reconstruction and continued democratization.

The report reflects the findings from the author's recent fact-finding trip to Georgia on September 13-17, 2008, which involved meetings with Georgian government officials, Georgian civil society, opposition figures, international non-governmental organizations (NGOs), and representatives of the international community. The author also visited Georgia, including Abkhazia, in mid-June to develop conflict resolution recommendations.

The Atlantic Council is grateful to the Georgian Ministry for Reintegration for their technical assistance. We would like to thank counselors, including faculty from Columbia University's Harriman Institute, whose insights helped enrich the report. At the Atlantic Council, Cindy Romero, Assistant Director for Transatlantic Relations, is commended for her research assistance and project coordination. Fran Burwell, Vice President and Director for Transatlantic Programs and Studies, provided valuable analysis and oversight.

Post-Conflict Georgia is the first product of the Atlantic Council's new Forum on Georgia and the Caucasus. The Atlantic Council hopes its ongoing efforts are useful to Georgian, European and U.S. government officials, international donors, and other friends of Georgia.



Frederick Kempe
President and CEO



Post-Conflict Georgia

Major Conclusions and Recommendations

Georgia should direct its post-conflict efforts to becoming a genuine European state, not a post-Soviet one. Westernization will make Georgia a positive model to Georgians, as well as future generations of Abkhaz and South Ossetians. *Post-Conflict Georgia* also recommends the following:

- To assess the war, a group of independent “Wise Persons” from western countries should constitute a “Commission of Inquiry” and a competent international body should investigate Russian and Georgian claims of violations of international law.
- To ensure transparency and accountability of foreign aid, a joint oversight board should be established. Standardized criteria are better than multiple accountability systems, which would be onerous. Funds should be linked to the Georgian government’s meeting democracy benchmarks.
- To address the humanitarian emergency, the Georgian government needs a coherent plan focusing on winterization for internally displaced persons.
- To enhance the investment climate, the United States and the EU should both adopt a free trade arrangement and implement a visa facilitation regime.
- To enhance Georgia’s security, the Georgian government should affirm that it will not use force to regain control of Abkhazia and South Ossetia. Only then should arms suppliers replenish military equipment lost in the war. Providing Georgia with defensive weapons systems is a decision best left to the incoming U.S. administration. Western countries should support Georgia’s eventual membership in NATO, but Saakashvili must be careful not to raise expectations unrealistically.
- To strengthen Georgia’s democracy, the Georgian government should implement constitutional reform limiting presidential power. Support for independent media and opposition parties should be expanded. A “patriot act” for Georgia is a bad idea and should be abandoned.

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- To intensify EU cooperation, this paper proposes a pro-active role for the EU in post-conflict arrangements between Georgia and Russia. It also proposes broadening the European Neighborhood Policy (i.e. “ENP-plus”).

Realistically, Georgia has no hope of restoring its control in Abkhazia or South Ossetia in the near term. Georgia must not, however, abandon the Abkhaz and South Ossetians to Russia. Track two activities and commercial ties would represent constructive interaction. The Georgian government should upgrade its constitution enshrining group/minority rights and decentralizing power. To show it is serious about supporting Georgia’s sovereignty, the United States and Europe should participate in a coordinated international effort to sanction individuals and corporations illegally visiting, trading, or investing in Abkhazia or South Ossetia.

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Post-Conflict Georgia

Executive Summary

The international community has rallied to assist post-conflict Georgia. It is helping address the country's humanitarian emergency. It is also providing reconstruction assistance and helping to revitalize the economy via measures to restore investor and consumer confidence. Though Georgians have also shown unprecedented unity in response to the crisis, international solidarity and national unity may be short-lived. While the international community is currently seized by Georgia, its attention will invariably turn elsewhere. Winter is fast-approaching. Many Georgians are dislocated or homeless. While realizing stability and security will be difficult, restoring Georgia's sovereignty will take generations.

- Georgia should direct its efforts to becoming a genuine European state, not a post-Soviet one. Westernization will make Georgia a positive model to Georgians, as well as future generations of Abkhaz and South Ossetians.
- Georgia has a democracy deficit that can be addressed through conditionality linking reconstruction funds to the fulfillment of democracy benchmarks (e.g. balance of powers, parliamentary oversight, judicial reform, and an independent media).
- Georgia was a free-wheeling kleptocracy until the Rose Revolution. To guard against corruption that has a corrosive effect on democracy, donors should require transparency and accountability.
- Georgia should tone down its rhetoric and avoid remilitarization that could be used by Russia to justify renewed conflict.

The War

Georgia's armed forces collapsed in the face of Russia's superior capabilities. A group of independent "Wise Persons" from western countries should constitute a "Commission of Inquiry" to assess the historical context of the conflict, its immediate cause, and the performance of Georgia's civilian and military leaders. Incompetent officials should be sacked. For moral clarity and to hold perpetrators accountable, an international body — either the International Committee of the Red Cross (ICRC) or the UN Human Rights Council — should investigate both Russian and Georgian claims of violations of international law.

Georgia's Territorial Integrity

Neither Abkhazia nor South Ossetia countenance ties to Georgia today. In fact, they so adamantly reject Georgia's sovereignty, it is hard to imagine under what circumstances they might ever return to the fold. Georgia must not, however, surrender Abkhaz and South Ossetians to the Russians. Track two activities fostering contact and cooperation through civil society representatives would gradually reduce tensions. Georgian-Abkhaz and Georgian-South Ossetian commercial ties would also enable constructive interaction. To establish the legal framework creating conditions for long-term voluntary reconciliation, the Georgian government should upgrade Georgia's constitution to enshrine group and minority rights and decentralize power in the fields of governance, economy and culture.

The international community cannot say it supports Georgia's sovereignty without punishing violators. The United States and the Europe Union (EU) should participate in a coordinated international effort to sanction individuals and corporations illegally visiting, trading, or investing in Abkhazia or South Ossetia. International assistance should be provided to Abkhazia and South Ossetia, but in ways that promote their interaction with Georgia.

International Response

The United States has led international aid efforts by committing \$1.06 billion. The European Commission has already pledged €500 million and has asked the member states to contribute an equal amount. The International Monetary Fund (IMF) will make \$750 million available to Georgia's Central Bank in the form of a Stand-By Arrangement. Even the Asian Development Bank, which is heavily influenced by China, contributed \$40 million. A series of NATO, EU, and other diplomatic meetings is underway.

Georgian government and donor country officials should establish a joint oversight board to ensure transparency and accountability of foreign aid. Budgetary support is most prone to misuse, and should be avoided. Donors should standardize criteria before the EU donor's conference, as requiring the Georgian government to comply with multiple accountability systems would be onerous. Whereas initial funds for humanitarian assistance and stabilization must flow freely, donors should link the release of future funds with democracy benchmarks defined by the Council of Europe's Venice Commission and the EU Democracy Action Plan.

Humanitarian Issues

The population of internally displaced persons (IDPs) is still in flux, but as many as 54,000 people displaced during the conflict still need emergency assistance. IDPs from South Ossetia or from ethnic Georgian villages in the buffer zone are facing a harsh winter and, with their villages destroyed, a bleak future. Georgia has 2 generations of IDPs; they represent a volatile constituency that could cause social upheaval if they took to the streets in protest.

Presidential leadership is needed to develop a coherent Georgian government inter-agency plan to address the IDP crisis. Immediate aid efforts should focus on winterization requirements in the temporary camps and resettlement centers. However, temporary arrangements are no substitute for a durable solution. To further the goal of returns, monitors from the Organization for Security and Co-

operation in Europe (OSCE) should have unfettered access throughout South Ossetia. IDPs from the conflicts of 1992-93 cannot be left in limbo. If they cannot go home, the Georgian government should establish a property claims and compensation system to adjudicate claims and arrange fair compensation.

Trade and Investment

The conflict resulted in about \$1.2 billion in damages to the civilian economy, including loss of fiscal revenue. Foreign Direct Investment (FDI) is down, Georgia's credit rating was downgraded, and National Bank Reserves decreased 40 percent. The United States responded quickly and comprehensively to deepen its trade and investment ties with Georgia. Combined with the IMF package, its assistance has given Georgia visibility and helped restore investor confidence.

Georgia's economy has been surprisingly resilient. Air, rail and port traffic is operating without interruptions. The Baku-Tbilisi-Ceyhan (BTC) pipeline was unaffected by the war. Georgia has taken steps to diversify its energy sources, but they may not be enough to inure it from Russia's efforts to limit supplies or manipulate prices. Russia's aggression is also impacting project partners in the Nabucco pipeline project, which will transport huge quantities of natural gas from Azerbaijan to Europe.

To enhance the investment climate, the United States and the EU should both adopt a free trade arrangement and implement a visa facilitation regime. Working with multilateral development bank partners can bolster market confidence. European States should set up risk insurance vehicles comparable to the U.S. Overseas Private Investment Corporation (OPIC) for Georgia.

Military Assistance

A "Confidential NATO Assessment of the Georgian Ministry of Defense and Armed Forces" (September 8-12) attributed Georgia's "chaotic response" to its "ill-prepared" armed forces and "inadequately trained" officer corps. The U.S. European Command's Joint Assessment Team arrived in Tbilisi on September 15. The Georgian government asked for an integrated air-defense system, modern anti-armor rockets, and night-vision devices. The package will cost up to \$9 billion. Though Georgia spent 25 percent of the state budget and 8 percent of the GDP on its 37,000 person military in 2007, key findings of the NATO report raise serious questions about the absorptive capacity of Georgia's military.

To prevent an escalation of threats at this tense time, the Georgian government should affirm that it will not use force to regain control of Abkhazia and South Ossetia. At the same time, the United States should make clear that it will not condone any move to retake the enclaves by force. Only then should the United States and other more significant suppliers take steps to replenish basic military equipment that was destroyed or seized by Russian forces. The United States should also focus its training on Georgia's officer corps. Providing air defense systems, anti-armor rockets and communications equipment is a decision best deferred to the incoming administration.

Western countries should support NATO's Membership Action Plan (MAP) for Georgia. Even detractors stand by the Bucharest communiqué and are committed to conducting a first assessment in December. However, Saakashvili must be careful not to raise expectations unrealistically. The

Georgian government should also consider ways to expand its cooperation with NATO in the event that MAP is not offered.

Democracy

Georgia is a new democracy with weak democratic institutions and a shallow democratic culture. The dilemma for Georgia is how to build a strong and functioning state without compromising core democratic practices.

More vigorous parliamentary debate and public input into reform measures, as well as increased participation and accountability allowing for contestation at the legislative and policymaking levels would help consolidate democracy. So would constitutional reform limiting presidential power and establishing greater balance between the legislature and executive. A “patriot act” for Georgia is a bad idea and should be abandoned. Regarding political pluralism, television stations need to provide even and balanced coverage of political parties, especially during the run-up to elections. In addition to training and technical assistance for political party development, opposition parties should receive greater public financing including support to party-affiliated think-tanks. The opposition must be careful. By calling for Saakashvili’s resignation, they risk being accused by National Movement party operatives of serving Russia’s agenda — regime change in Tbilisi.

The Georgian government would be more likely to embrace reform if the U.S. government issued a public statement supporting these measures. The EU can reinforce democratic improvements and consolidation by affirming that democratization is a non-negotiable precondition to eventual membership in Euro-Atlantic institutions. The United States and other donor countries should refocus on democracy strengthening, not just state-building, for Georgia.

Role of the International Community

Georgia and Russia have severed diplomatic relations; even Georgia’s consulate in Moscow is closed. The Georgian government is adamant that it cannot resume relations with Russia as long as Russian armed forces remain in Abkhazia and South Ossetia at levels exceeding pre-war totals. Russia’s disparaging of Saakashvili also makes resuming relations difficult. Despite difficulties, Russia and Georgia need to find ways of interacting. International mediation will be required for the foreseeable future, but that does not preclude informal contact or back-channels.

The EU will host the Geneva Conference in mid-October. The meeting is intended to address the full range of post-conflict issues that have arisen between Russia and Georgia. Russia demands that the “Presidents of Abkhazia and South Ossetia” lead official delegations to the Geneva Conference, which the Georgian government rejects. To launch a mediation process at the conference, this paper provides technical and political recommendations regarding the leadership, participants, level, agenda, format, financing, and outcome for the Geneva Conference.

Consistent with its role to date, the EU will continue to take the lead. The United States must, however, play a robust behind-the-scenes role in order to ensure a dynamic and ultimately effective process. Georgia has become a top foreign policy issue in the U.S. presidential campaign. Whoever becomes president will continue vigorous U.S. assistance to Georgia and its people. Not only do

Americans and Georgians share core values. An independent and sovereign Georgia is in the national interest of the United States.

This paper recommends that the EU intensify cooperation with Georgia through the European Neighborhood Policy (ENP), the Black Sea Synergy Initiative and the pending Eastern Partnership Program. Moreover, it suggests that EU develop “ENP-plus,” as a more robust and proactive instrument for dealing with Ukraine and the Caucasus. Not only is ENP not enough; it actually reinforces the “peripheral” nature of the ENP states. This paper proposes a format for cooperation between Georgia and its Eurasian neighbors on security, economic, and infrastructure issues. Turkey’s “Caucasus Cooperation and Stability Platform” is a welcome initiative that would work best with U.S. and European participation.

Regarding Russia, the EU should conduct an overall assessment of the EU-Russia relationship. If Russia does not implement its commitments, the EU should formally suspend talks on a Partnership and Cooperation Agreement and pull back its visa facilitation regime for Russian passport holders. Russia cannot be allowed to abuse international law by invading its neighbor and carving up Georgia’s territory. The United States and Europe must make clear to Russia that it has crossed a red line in recognizing Abkhazia and South Ossetia. It is too soon to decide whether to boycott the 2014 Winter Olympics in Sochi (just 35 km from Georgia’s border). However, the U.S. Congress should introduce a resolution stating that preparations for Sochi must not in any way support the secession of Abkhazia and South Ossetia from Georgia. If Russia continues to make a farce of “Olympic principles,” countries should consider boycotting Sochi and petitioning the International Olympic Committee to assess Russia’s suitability as a host country.

Post-Conflict Georgia

The War

War between Georgia and Russia erupted on August 7, 2008. In response to Russian and South Ossetian provocations, Georgia's President Mikheil Saakashvili shelled and ordered Georgian troops into Tskhinvali, South Ossetia's capitol. By August 9, Russia's carefully planned land, air, and sea assault had overwhelmed Georgia's armed forces. Operations extended from the port of Poti in the west to Gori just 40 km from Tbilisi.

Ossetian militias, often in collusion with the Russian military, burned and looted Georgian villages around Tskhinvali¹ and on the road to Gori.² Approximately 90 percent of villages in the buffer zone were damaged or destroyed.³ Characterizing their military action as a "peace enforcement mission," Russia's leaders accused Georgia's armed forces of ethnic cleansing and genocide. They demanded an international war crimes tribunal prosecute Saakashvili. Though they initially claimed that 2,000 South Ossetian citizens were killed, Russian authorities later revised that figure to 133; Human Rights Watch puts the toll at fewer than 100.⁴ The Georgian government reported that 364 Georgian citizens were killed (including 194 civilians) and 2,234 wounded (170 civilians). It accused Russian troops of conducting summary executions and using cluster bombs against civilian targets.

Acting on behalf of the EU Presidency, France's President Nicolas Sarkozy, negotiated a ceasefire on August 13. Russia repeatedly violated the ceasefire. It initially refused to withdraw troops or dismantle checkpoints. It unilaterally established a 12 km buffer zone around South Ossetia. Russia also refused renewed international mediation for Abkhazia and South Ossetia by recognizing their independence. Russia has since turned South Ossetia into an armed camp basing 3,800 troops there and another 3,800 in Abkhazia.

Georgia's military defeat was a serious setback. The Georgian army was destroyed, demoralized and disarmed. Civilian economic costs of the war are estimated at \$1.2 billion. Not only did Georgia lose the Kodori Gorge, the country's territorial integrity is in tatters with Abkhazia and South Ossetia lost for the foreseeable future. The war also took a terrible human toll in lives lost and persons displaced.

Saakashvili has tried to salvage the situation by finding reasons for optimism. He points out that the war garnered international support for Georgia. It engaged the EU as a mediator, thus internationalizing

¹ Tavernise, Sabrina. "Survivors in Georgia Tell of Ethnic Killings." *New York Times*. August 19, 2008; Chivers, C. J. "In Battered Villages, Georgians Speak, if They Dare." *New York Times*. August 18, 2008.

² "Georgian Villages in South Ossetia Burnt, Looted." *Human Rights Watch*. August 13, 2008.

³ Interview with a Deputy Minister in the Ministry of Reintegration. Tbilisi. September 15, 2008.

⁴ Clover, Charles. "Civilian deaths put at 133." *Financial Times*. August 21 2008; *Russian Invasion of Georgia: Facts & Figures*. Septem-

both Georgia's bilateral agenda with Russia and the format of talks on Abkhazia and South Ossetia.⁵ By reframing the Georgian-Ossetian and Georgian-Abkhaz conflicts into a Georgian-Russian conflict, Saakashvili also discredited Russia's exclusive role as guarantor and undermined the credibility of the Russian-dominated Commonwealth of Independent States (CIS) for solving conflicts in the post-Soviet space. Russia's aggression inspired extraordinary unity among Georgians who have come together in support of their country — and against Russia.

Yet Georgia faces grave difficulties. The Georgian government must provide for displaced persons, restore investor and consumer confidence, rebuild Georgia's economy, meet energy requirements, and resurrect its armed forces. Russia looms as a constant threat. Medvedev has repeatedly called Saakashvili a "political corpse" He and Vladimir Putin will persevere in their goal of regime change by any means, including measures to cause Georgia's economic collapse. If Georgians opt for a change in leadership, they should do so through a deliberate and democratic way without Russia's prompting.

Recommendations

- ***Investigate the War:*** The EU should charter a group of objective "Wise Persons" from western countries to constitute a "Commission of Inquiry" with the mandate to assess the historical context of the conflict, the immediate cause of the conflict, and the performance of Georgia's civilian and military leaders during the conflict.⁶ The Commission would draw upon and complement other proposed investigations being undertaken by the Georgian parliament ("Group of Confidence" in the Defense and Security Committee) and by eminent Georgians (meetings in the Office of the Ombudsman supported by the UN Development Program). Incompetent officials identified by these studies should be sacked.
- ***Clarify Potential Violations of International Law:*** For the sake of moral clarity and to hold perpetrators accountable, either the International Committee of the Red Cross (ICRC) or the UN Human Rights Council should work with the Georgian government and Russia, as well as international organizations like the Organization for Security and Cooperation in Europe (OSCE), to gather data on alleged violations of international law, including those committed by South Ossetian militias with findings submitted to the International Criminal Court for further consideration.

⁵ Antonenko, Oksana. "Beyond the Ceasefire." *Russia Profile*. August 13, 2008.

⁶ Per the European Council's recommendation of September 1, 2008.

Georgia's Territorial Integrity

By unilaterally recognizing Abkhazia and South Ossetia, Russia violated Helsinki Principles that require mutual agreement to redraw internationally recognized borders. Russia is increasingly isolated by its disregard for international law. Not only did it violate the UN Charter by attacking a sovereign state. Now it has also tried to carve up its territory. To date, only Nicaragua has taken steps to recognize Abkhazia and South Ossetia. China and other partners in the Shanghai Cooperation Organizations have rebuffed Russia's entreaties.⁷ Even Moscow's erstwhile ally, Belarus, has refused recognition.

Realistically Georgia has no hope of restoring its control in Abkhazia or South Ossetia in the near term. At the same time, recent events have fostered unrealistic expectations in the separatist enclaves about the viability of their independence. Foreign Minister Sergei Lavrov visited Sukhumi and Tskhinvali to open Russian embassies (September 14-15). Local celebrations seemed forced. South Ossetia is an impoverished enclave run by criminal gangs trafficking in drugs, weapons, and women. It is much more likely to merge with North Ossetia and be absorbed into the Russian Federation than stand on its own.

Whereas almost all the ethnic Georgians have been killed or driven from their homes in South Ossetia, Abkhazia still has the vestiges of a multi-ethnic society made up of Abkhaz, Georgians, Armenians, and small groups of other minorities. Since breaking away from Georgia in 1993, Sukhumi has fallen into disrepair. Russia is planning to build a major cement factory in Abkhazia to support construction of facilities for the 2014 Winter Olympics in Sochi (just 35 km from Georgia's border). It plans to use Sukhumi's airport as a transit area for the Olympics. During interviews in Sukhumi, Abkhaz expressed concern of being overwhelmed by their northern neighbor.⁸ Abkhaz may despise Georgians, but they have a long history of distrust and resistance against Russian domination.

For the time being, Abkhazia and South Ossetia will resemble the situation in Cyprus, except with greater criminality. The Georgian government will retain sovereignty over its internationally recognized territories, including Abkhazia and South Ossetia. However, it will not control these territories or establish Georgia's territorial integrity. Creative proposals to establish international administration will require authorization by the UN Security Council where they are subject to Russia's veto. Until something changes either through force or via mediation, Abkhazia and South Ossetia will remain "frozen conflicts."

Recommendations

- ***Become a Positive Model:*** Georgia must focus on building an economically vibrant democracy with firm ties to the West. By becoming a genuine European state, not a post-Soviet one, Georgia can become a positive model that is attractive to Abkhaz and South Ossetians. Georgia will never get its territories back by force. For voluntary reconciliation to occur, Georgia has to be different – and better.

⁷ "Russia's isolation plays into China's hands." *International Herald Tribune*. August 30, 2008

⁸ Interview with Abkhaz officials. June 17-18, 2008

- **Promote Minority Rights:** Abkhaz and South Ossetian leaders may not countenance ties to Georgia today, but their positions may evolve even if it takes a generation. The Georgian government should not wait to upgrade Georgia's constitution by enumerating measures to protect and promote group and minority rights (in accordance with norms embodied in the European Convention on Minority Rights).
- **Define Decentralization:** Either through a federal or confederal arrangement, the constitution should decentralize power by defining local competencies in the area of (i) governance (e.g. local executive, judiciary, police and security, international representation and agreements, citizenship, movement of peoples), (ii) culture (e.g. education, language, religion, media, cultural identity); (iii) economy (e.g. natural resources, property and land management, hiring preferences).⁹
- **Try Track Two:** Since contact and cooperation between civil society representatives also plays an important role restoring trust and laying the ground for reconciliation, a donor country should make an umbrella grant to an international NGO that would, in turn, provide financing for activities that foster civil society initiatives. Georgian-Abkhaz and Georgian-South Ossetian commercial ties should also be encouraged. Confidence building may be too lofty a goal, yet it is important not to abandon the Abkhaz and South Ossetians to Russia.
- **Sanction Violators of Georgia's Sovereignty:** The international community cannot say it supports sovereignty without punishing violators. There should be a coordinated international effort to sanction individuals and corporations visiting South Ossetia or Abkhazia without permission from the Georgian government; purchasing real estate without registering the purchase in the Georgian Public Registry and paying the 1 percent annual Georgian government property tax; acquiring an equity interest in enterprises that do not comply with Georgian government tax and customs authorities; and conducting import and export trade without Georgian government clearance. Sanctions would include visa and travel bans to the EU and the United States. They could also include restrictions on operating bank and brokerage accounts and owning property in the United States and the EU. In addition, violators would be scrutinized by anti-money laundering authorities with the power to confiscate assets.

Meanwhile reconstruction must proceed. How Georgia handles its reconstruction and governance will not only define its international relations. It will also create the context for possible rapprochement with Abkhazia and South Ossetia.

⁹ The Atlantic Council could be a resource by providing information on comparative constitutional and autonomy arrangements.

International Support

The international community has rallied in support of Georgia. During the first days of the conflict, the U.S. Agency for International Development (USAID) provided \$250,000 for emergency relief supplies and U.S. Embassy in Tbilisi released \$1.2 million worth of disaster packages.¹⁰ In addition, U.S. military air and sea transports delivered life-saving supplies of food and emergency rations. By August 22, the EU sent €6 million and European countries provided an additional €8.4 million.¹¹

After Senator Joseph Biden (D-DE) sponsored legislation authorizing \$1 billion for relief and reconstruction, the United States unveiled a \$1.07 billion aid package.¹² More than half, \$576 million, will be disbursed this year.¹³ A significant proportion will be devoted to budget support. Other funds will help rebuild housing, transportation, and other infrastructure destroyed in the conflict.¹⁴ The International Monetary Fund (IMF) agreed to loan \$750 million to Georgia's Central Bank in the form of a Stand-By Arrangement.¹⁴ In November, the EU will host an international donor's conference in Brussels. The European Commission has already pledged €500 million and has asked the member states to contribute an equal amount. Even the Asian Development Bank, where China plays a dominant role, provided \$40 million. The rapid infusion of funds will require monitoring to ensure that contributions are spent in ways intended by the donors.

A flurry of diplomatic activity has also ensued. The North Atlantic Council (NAC) held an historic meeting in Tbilisi (September 15-16). Led by NATO Secretary General Jaap de Hoop Scheffer and attended by ambassadors from the Alliance's 26 members, the meeting launched the NATO-Georgia Council, which will position Georgia to participate in NATO's Membership Action Plan (MAP). It also symbolized NATO's solidarity with Georgia.

In addition, the EU held an emergency summit on September 1. It determined not to proceed with talks on a Partnership and Cooperation Agreement with Russia pending Russia's fulfillment of its ceasefire commitments. When Russian troops withdraw from the buffer zone, the EU plans to deploy at least 200 EU observers (by October 1); the EU civilian monitoring mission will ensure full compliance throughout Georgia with the ceasefire agreement. The EU also plans to convene the Geneva Conference engaging Russia and Georgia on the broad spectrum of post-conflict issues. Later in October, Saakashvili will invite heads of state to meet in Tbilisi as an expression of political support and reaffirmation of their commitment to Georgia's independence, sovereignty and territorial integrity.

¹⁰ "U.N.: 115,000 displaced by Georgia conflict." *CNN*. August 15, 2008.

¹¹ "Georgia: EU Commission provides additional €5m in humanitarian aid." *EU Mission at the United Nations*. August 22, 2008.

¹² "Cheney calls on west to rally behind Georgia." *Financial Times*. September 5, 2008.

¹³ "U.S. to announce over \$1 billion in aid for Georgia." *Reuters*. September 3, 2008.

¹⁴ Excluding Iraq, the infusion would make Georgia the largest recipient of U.S. foreign aid after Israel and Egypt.

¹⁵ "IMF Mission Reaches Agreement in Principle on a US\$750 million Stand-By Arrangement with Georgia." *IMF*. September 3, 2008.

Recommendations

- **Monitor Contributions:** A board made up of Georgian government and donor country officials will help set priorities and ensure transparency and accountability. Budgetary support is most prone to misuse, and should be avoided. Donors should standardize criteria before the donor's conference, as requiring the Georgian government to comply with multiple accountability systems would be onerous. Parliament and civil society can also play a role monitoring foreign aid. Established in 2006, the coalition of NGOs led by the Open Society Institute and trained by Friedrich Ebert Stiftung to monitor implementation of the European Neighborhood Action Plan (ENP) should refocus its efforts on reconstruction assistance. Independent media can also play an important monitoring role.
- **Institutionalize Anti-Corruption:** Measures are needed to strengthen the Chamber of Control, a constitutionally authorized body established to monitor the government's budget. To be truly effective, the Chamber needs more resources, stronger enabling legislation, greater professional capacity, and active public oversight. Budgetary support is most prone to misuse and should be avoided, especially as the crisis winds down. The United States should not include budgetary support in the second tranche of its funding.
- **Condition Support:** Early money for humanitarian assistance and stabilization must flow freely. However, donors should link the release of future funds with democracy benchmarks defined by the Council of Europe's Venice Commission and the EU Democracy Action Plan. Donors should also resource Georgian NGOs to monitor performance (e.g. Georgian Young Lawyers Association). The Georgian government should invite conditionality, not resist it. Donors know that Georgia is a new democracy under duress and with limited capacity.
- **Clarify Support:** While expressing strong support for Georgia and the Georgian people, the United States and other friends of Georgia must not allow their support to be misconstrued as an endorsement of the regime. The United States should always support policies – not personalities.

Humanitarian Issues

The IDP population is still in flux. According to Georgian government figures, 68,000 IDPs have returned to their homes. The remaining 54,000 are in 264 collective centers (down from 600). IDPs come from ethnic Georgian villages in South Ossetia, villages in Russia's self-declared security zone around South Ossetia, and other parts of the country affected by violence.

The ICRC continues to receive tracing requests from people whose relatives are unaccounted for, as well as separated families who want to be reunited or exchange news with their loved ones. Its efforts are also focused on the elderly and chronically ill in isolated war-torn villages. Winterization (i.e. shelter and blankets) is the top priority. A durable solution is also required (i.e. housing that is not a tent or temporary shelter with plastic sheeting). Though civilians have crossed Russian check-points to assess conditions for return, few spend the night, fearing for their safety. During the week of September 7, Russia finally allowed access to a UN joint assessment team and some international NGOs to evaluate conditions for return, although it has barred access to South Ossetia for the Organization for Security and Co-operation in Europe (OSCE).

Georgia has managed the displacement crisis better than in 1992-93. However, senior international aid officials believe that the Georgian government lacks a strategy and a plan. Once the Georgian government gets order into the "registration chaos," it should identify (i) displaced that can go home but prefer to remain in resettlement centers, (ii) mid-term displaced (from the buffer zone), and, (iii) long-term displaced (from South Ossetia) who need a durable solution (security, shelter, water, sanitation, infrastructure, markets, schools and health posts).¹⁶ Different strategies are required for each category of IDP.

IDPs are angry. Conditions in temporary resettlement centers and camps are harsh. The Georgian government's promise of pre-fabricated homes was withdrawn due to their high cost. IDPs were also promised a home and a hectare of land, but this too seems unrealizable. Recent IDPs from South Ossetia feel that all is lost. Up to 200,000 Georgians are still displaced from Abkhazia and South Ossetia since 1992-93. Of these, about a third have blended into the population and live in poverty. The remaining IDPs have all but lost hope of returning home. Many blame both Russia and the Georgian government for their predicament. IDPs represent a volatile constituency that could cause social upheaval if they took to the streets in protest.

Recommendations

- **Improve Planning:** Presidential leadership is needed to assess efforts, enhance inter-agency coordination, develop an IDP action plan, and catalyze action. By calling a meeting of aid agencies, donor country representatives, and relief organizations, in coordination with senior officials from the Ministry of Refugees and the Ministry of Reintegration, Saakashvili would highlight the Georgian government's commitment to IDPs.

¹⁶ Interview in Tbilisi on September 15, 2008.

- ***Emphasize Winterization:*** Immediate aid efforts should focus on winterization requirements in the temporary camps and resettlement centers. The emergency may be over, but there is still need for relief items before donor agencies start budgeting for the recovery and reconstruction phases.
- ***Promote Returns:*** Aid agencies should assess conditions for return by moving into the buffer zone as soon as Russian troops withdraw. In accordance with the OSCE's mandate to monitor ceasefire violations, OSCE personnel should have unfettered access throughout South Ossetia.
- ***Enhance Coordination:*** The UN Office for the Coordination of Humanitarian Affairs should set-up a Humanitarian Information Center (HIC) to make maps, directories and other technical data available to international and domestic relief agencies. The HIC can also help coordinate the placement of IDPs with host families in western and other parts of Georgia. However, temporary arrangements are no substitute for a durable solution.
- ***Provide Compensation:*** IDPs from the conflicts of 1992-93, should not be left in limbo. The international community can help by supporting a property claims and compensation system to adjudicate claims and arrange fair compensation. Credible IDPs who cannot document their claims could receive a symbolic payment.

Trade and Investment

The conflict resulted in about \$1.2 billion in damages to the civilian economy. This includes damages to roads (\$150 million), destruction of civilian infrastructure and private property (\$350 million), crops and farmland (\$100 million), and environmental damage (\$200 million) from oil spills in the Black Sea and forest fires in the Borjomi- Kharagauli and Ateni Valley. Increased shipping costs were \$100 million. Loss of fiscal revenue is estimated to be \$300 million (August-December 2008).

The conflict also created a crisis in investor and consumer confidence. Despite prudent fiscal policy, Georgia's economy will fall to between 5-6 percent this year, half the rate of last year's expansion.¹⁷ Before the conflict, the IMF was forecasting growth of 9 percent in 2008. Foreign Direct Investment (FDI), which has fueled Georgia's economic boom, has also been affected. In 2007, Georgia received \$1.6 billion in FDI, a 40 percent increase from the previous year, and 19.8 percent of GDP. Though overseas investments into Georgia are diversified in origin, sizeable investments from the Virgin Islands and Cyprus are likely to originate in Russia. Before the conflict, the Georgian government forecast \$2 billion in FDI for 2008.¹⁸ After the events in August, the government expects FDI of \$100-\$300 million for the rest of the year, after receiving \$1 billion during the first half of 2008.¹⁹

Georgia's credit rating fell in the first days of the conflict. Stocks and bonds also slumped. The Bank of Georgia, the only stock listed outside the country, tumbled 32 percent, the biggest monthly drop since it started trading in November 2006.²⁰ The 7.5 percent 13-year government security slid, pushing the yield 147 basis points higher to 9.94 percent. The yield jumped to a record 10.75 percent on August 11. To spur growth, the Bank of Georgia cut interest rates by a point on August 21. Foreign currency reserves dipped 6.4 percent to \$1.3 billion. However, much of this was due to the Central Bank selling close to one eighth of its foreign reserves in August to cushion a decline in the value of its currency. Despite banking restrictions to prevent capital flight, National Bank reserves decreased by about 40 percent, between August 8 and September 12. Georgia's currency, the lari, has remained stable providing an anchor during the crisis.²¹ According to G-7 Finance Ministers, "Georgia has solid economic fundamentals as a result of economic reforms and sound policies, and we are committed to helping Georgia continue on this path."²²

The United States responded quickly and comprehensively to deepen its trade and investment ties with Georgia. The Bush administration announced plans to: broaden its Trade and Investment Framework Agreement (TIFA) with Georgia; explore an enhanced bilateral investment treaty; develop new legislation to expand preferential access to the U.S. market for Georgian exports; and provide trade-related technical assistance, including measures to help Georgia take full advantage of the Generalized System of Preferences (GSP). In addition, the Commerce Department will expand its assistance to U.S. firms considering investment in Georgia and sponsor exchanges to enhance ties between the U.S. and Georgian business communities. As part of its assistance package, the Overseas Private

¹⁷ "IMF offers Georgia loan, sees growth slowing." *Reuters*, September 3, 2008.

¹⁸ Corso, Molly. "Georgia: Post-War Tbilisi Works to Prop Up Investor Confidence." *Eurasia Insight*. September 9, 2008.

¹⁹ "Investors Returning To Georgia." *Moscow Times*. September 19, 2008.

²⁰ "Georgia August Dollar Sales Surge Amid Russia Crisis." *Bloomberg*. September 1, 2008; Jan Cienski and Roman Olearchyk. "A nation still open for business, urges prime minister." *Financial Times*. August 22, 2008.

²¹ "Georgia Sold Foreign Reserves to Protect Exchange Rate." *The Daily Telegraph*. September 2, 2008.

²² Statement by G-7 Finance Ministers. August 20, 2008.

Investment Corporation (OPIC) will be providing \$150 million to support private sector investment projects. Measures are also being taken to make sure that maritime insurance will be available on reasonable terms for ships docking in Georgia.

Not only do these types of assistance programs derive direct benefits. Combined with the IMF package, they also signal a level of commitment by the international community that gives Georgia visibility and helps restore investor confidence.

Recommendations

- ***Enhance the Investment Climate:*** The United States and the EU should both adopt a free trade arrangement with Georgia and the EU should implement a visa facilitation regime for Georgian passport holders.
- ***Bolster Market Confidence:*** The United States and the EU should support Georgia's engagement strategy with the IMF and work more closely with other multilateral development bank partners.
- ***Broaden Support:*** The November donor's conference should seek the participation of non-western countries from the Gulf States, which have a considerable interest in Georgia, as well as Japan, China, and other countries. Broadening the base of support would further enhance confidence.
- ***Expand Risk Insurance:*** Since the EU does not provide political risk insurance, European countries should fill the gap by setting up risk insurance vehicles comparable to the OPIC Program for Georgia.

Infrastructure, Energy and Transportation

Russia targeted both military and civilian infrastructure during its attack on Georgia. Its bombing raids hit the port at Poti on the Black Sea, the military airport near Tbilisi, and military bases across the country. The railway line carrying 80 percent of Georgia's freight traffic was blown up. The demolition of a bridge that spans the Kvari river about 40 km west of Tbilisi cut the main east-west rail link from Poti and Batumi to the Georgian capital, and beyond to Armenia and Azerbaijan.²³ Despite initial interruptions in flight and railway traffic, transport and logistics including port traffic was operating normally by August 29.

Russian warplanes also bombed near the Baku-Tbilisi-Ceyhan (BTC) pipeline. As a precautionary measure, the Georgian government temporarily shut down BTC and Baku-Supsa pipelines. Though BTC itself was not hit, targeting BTC sent a message. Russia could disrupt or destroy energy transport facilities from the Caspian to western markets at any time and any place of its choosing.

The Georgian government has taken steps to diversify energy supplies as a bulwark against economic disruption by Russia. Estimates vary, but Georgia may receive as much as 60 percent of its liquefied natural gas (LNG) from Russia. Georgia has sought to make Azerbaijan its main supplier of LNG. The Georgian government also has a quiet supply agreement with Iran in case Russia tries to use energy as a weapon. The slowing global economy has depressed prices, thereby limiting Russia's ability to manipulate prices.

If supply estimates are correct, Nabucco will deliver 30 billion cubic meters of gas from Azerbaijan (and Turkmenistan) via a 4,000 km pipeline stretching from the Caspian across Georgia and Turkey to Bulgaria, Hungary, Romania and Austria. The project is being developed by Austrian OMV, Hungarian MOL, Turkish BOTAS, Bulgarian BUL-GARGAZ and Romanian TRANS-GAZ. Costing \$12 billion, construction is scheduled to start in 2010 and finish in 2013.²⁴ While Europe is even more determined to find alternative energy supplies after Russia's attack, project partners are increasingly questioning the Nabucco pipelines' feasibility. CIS countries are also being pressured by Russia not to do business with Georgia, as evidenced by Kazakhstan's suspension of plans for a grain storage facility in Poti.

Tbilisi's electrical power is supplied by RAO-UES, a Russian company. About 30 percent of Georgia's electricity supply comes from the Inguri Hydro-Power Plant (HPP). Georgian and Abkhaz authorities have worked collaboratively on HPP, as the dam is in Georgia and the powerhouse in Abkhazia. Georgia is also working with Turkish investors to develop seven hydro power stations in Adjara. Costing \$167 million, the project is expected to generate 119.9 megawatts (by 2015). The Georgian government is also seeking to attract around \$800 million for small and medium size hydro-stations generating electricity for domestic use as well as for exporting. Increased hydropower capacity would further reduce Georgia's dependence on imported natural gas for power generation.

²³ "A nation still open for business, urges prime minister." *Financial Times*. August 22, 2008

²⁴ *Georgia Business Week*. September 15, 2008 – Issue 35 (194).

Recommendations

- ***Diversify Supplies:*** Nabucco partners should press ahead despite Russia's efforts to undermine confidence in the project. Diversified supplies via BTC and Nabucco are critical to European energy security.
- ***Share Electricity with Abkhazia:*** The Georgian government and Abkhaz authorities should maintain cooperation on the HPP, strengthening commercial arrangements that ensure equitable and reliable distribution of power.
- ***Develop New Hydro Sources:*** Investment insurance should be made available to the Turkish hydro venture in Adjara and reconstruction funds specifically earmarked for small and medium sized hydro-electric stations.

Military Assistance

Post 9/11, Georgia emerged as a high-value ally to the Bush administration. The Pentagon launched a 20-month and \$64 million Train and Equip Program to enhance Georgia's counter-terrorism capabilities (April 29, 2002). The Georgia Sustainment and Stability Operations Program immediately followed, lasting 18 months and valued at \$60 million. Security cooperation extended to Iraq; Georgia was one of the first countries to join the multinational force in Iraq, and more than doubled its troop level from 850 to 2,000, making it the third largest troop contributing country in the coalition (March 2007).

Despite hundreds of millions of dollars in equipment provided by Ukraine, the Czech Republic, and the United States, as well as training by the U.S., Israeli, and Turkish militaries, the Georgian armed forces performed poorly during the conflict. Both Special Forces and raw recruits fled ahead of the Russian army's advance. Georgian planes did not fly after the first few hours of contact. Its navy was sunk in the harbor, and its coast guard patrol boats were hauled away on Russian trailers. There was limited communication between ground forces and commanders, and almost no coordination between police units and military units, which often had overlapping tasks and crowded one another on the roads. Saakashvili was at one time personally directing important elements of the battle — giving orders over an unsecured cell phone and deciding when to move a brigade from western to central Georgia to face the advancing Russian columns.²⁵

A “Confidential NATO Assessment of the Georgian Ministry of Defense and Armed Forces” (September 8-12) attributed Georgia's “chaotic response” to its “ill-prepared” armed forces and “inadequately trained” officer corps. Though Georgia spent 25 percent of the state budget and 8 percent of the GDP on its 37,000 man military in 2007, key findings of the NATO report raise serious questions about the absorptive capacity of Georgia's military.

A Joint Assessment Team from the U.S. European Command arrived in Tbilisi on September 15. The Georgian government asked for an integrated air-defense system that covers the country's entire airspace, modern anti-armor rockets, and night-vision devices. It also wants new advanced communications equipment, much of which was burnt out by being charged at the wrong voltage or rendered useless by Russian jamming. Arms acquisitions could cost up to \$9 billion.²⁶

U.S. reconstruction funds do not include military assistance. The Bush administration is wary of making a move that might seem provocative and incite renewed aggression by Russia. Military rebuilding will take years, which means that long-term decisions about U.S. military assistance to Georgia will fall to the next presidential administration.²⁷

²⁵ Chivers, C.J. and Thom Shanker. “Georgia Eager to Rebuild Its Defeated Armed Forces.” *New York Times*. September 2, 2008

²⁶ Ibid

²⁷ Ibid

Recommendations

- ***Emphasize Deterrence:*** The Georgian government should affirm that it will not use force to regain control of Abkhazia and South Ossetia. At the same time, the United States should make clear that it will not condone any move to retake the enclaves by force. It should also affirm that the United States has no plans to establish permanent military bases in Georgia or provide military advisers on a continual basis.
- ***Support Georgia:*** Only then should Georgia's arms suppliers replenish basic equipment that was destroyed or seized by Russian forces and, pending a lessons-learned exercise, resume training of Georgia's officer corps. The decision on air defense systems, anti-armor rockets, night vision devices, and advanced communications equipment is best deferred to the incoming administration.
- ***Promote MAP:*** Assistance and training should emphasize interoperability of NATO and Georgia's armed forces. Even detractors of MAP for Georgia stand by the Bucharest communiqué and are committed to conducting a first assessment in December. Georgia will get MAP in the future, but Saakashvili must be careful not to raise expectations unrealistically. Absent MAP, the Georgian government should still consider ways of expanding its cooperation with NATO.

Democracy

Georgia is a new democracy with weak democratic institutions and a shallow democratic culture. At the NAC meeting in Tbilisi, Jaap de Hoop Scheffer stated, “You are a democracy. Start acting like one.”²⁸ Echoing the Secretary General’s concern, a senior diplomat in Tbilisi wonders whether the Georgian government has “the political will for democratization and the rule of law.”²⁹

In 2004, Saakashvili pushed through a new constitution that strengthened executive power and weakened the parliament. Democracy advocates welcomed Saakashvili’s recent presentation to the parliament laying out his democracy agenda (September 16, 2008). However, they insist that Saakashvili should be judged by his actions — not his words. Democracy advocates call for the reform of law enforcement agencies and the penitentiary system; seek the decoupling of the powerful Interior Ministry from the Security Ministry; and urge limits on the prosecutor general whose unbridled power undermines judicial authority and the criminal justice system. Georgia’s governance problems are compounded by the absence of an independent and professional civil service, as well as by the fact that there are no clear lines between the Georgian government and the ruling party. In addition, Georgia has a weak system of checks and balances; 120 of 135 seats in the parliament are controlled by Saakashvili’s National Movement. Regarding the parliamentary elections of May 21, the OSCE concluded: “The authorities and other political stakeholders made efforts to conduct these elections in line with OSCE and Council of Europe commitments.” However, they “identified a number of problems which made implementation uneven and incomplete.”³⁰

All five nationally broadcast television stations are subject to government controls. Much more than print media, which itself is subject to financial pressure, television is the primary vehicle for public information. Opposition parties also clamor for electoral reform, including lowering the threshold that parties must pass to be seated in the parliament. Georgian political actors have a poor track record of talking to one another. Opposition parties have a long list of grievances, but an inadequate platform of policies and programs that might appeal to voters.

Saakashvili announced on August 29 that the Georgian government was preparing a “patriot act” to prevent the formation of a so-called fifth column working through Georgian political parties to overthrow the Georgian government. The bill has been drafted, but not released. The proposed legislation, which Saakashvili maintains is primarily focused on foreign financing, was greeted skeptically by civil society groups and opposition figures such as Nino Burjanadze.³¹ The Association of Young Georgian Lawyers maintains that there are already existing statutes in force to ensure security. Its members are wary of measures that may be used to restrict civil liberties, press freedom, and freedom of expression. A leading public figure reports that wiretapping and eavesdropping are widespread.³²

The opposition must be careful. By calling for Saakashvili’s resignation, they could be accused by National Movement party operatives of doing Russia’s bidding. Opposition figures and civil society

²⁸ Statement by NATO Secretary General Jaap de Hoop Scheffer at the Meeting of the North Atlantic Council in Tbilisi, Georgia on September 15, 2008.

²⁹ Anonymous Interview in Tbilisi on September 16, 2008.

³⁰ OSCE/ODIHR. *Georgia’s Parliamentary Elections* (21 May 2008). OSCE/ODIHR Election Observation Mission Final Report.

³¹ Statement by President Mikheil Saakashvili in New York on September 24, 2008.

³² Anonymous interview in Tbilisi on September 14, 2008.

representatives maintain that Saakashvili is trying to obscure Georgia's defeat. Even some strong government backers find government-sponsored concerts and public events too celebratory and in bad taste. They fear a repeat of last year's November 7 protests that were suppressed by riot police. Some have refused to take their seats in the parliament.

Recommendations

- ***Consolidate Democracy:*** Georgia's democracy would be served by more vigorous parliamentary debate and public input into reform measures, as well as increased participation and accountability at all levels of government, allowing for contestation at the legislative and policymaking levels. Constitutional reform limiting presidential power would establish greater balance between the legislature and executive. The Georgian government would be more likely to embrace reform if the U.S. government issued a public statement supporting these measures. The EU can reinforce democratic improvements and consolidation by affirming that democratization is a non-negotiable precondition to eventual membership in Euro-Atlantic institutions.
- ***Invest in Democracy:*** The United States and other donor countries should refocus on democracy strengthening, not just state-building, for Georgia. Assistance should emphasize support to independent media, the administration of justice, independent judiciary and reinvigorating civil society by financing a broad range of advocacy, research, associational, and constituency oriented Georgian NGOs. Electoral reform would also enhance public trust.
- ***Behave Democratically:*** Rather than behave responsibly and democratically, some opposition figures are pre-occupied with overthrowing Saakashvili and calling new elections. In so doing, they risk appearing more like agents of Russia's regime change agenda than loyal oppositionists trying to serve their country. Saakashvili has established "Anti-Crisis Groups" to work on important national issues. Oppositionists can achieve more by learning to talk to each other in a civil and constructive fashion than refusing to be seated or hurling invectives. Similarly, the Georgian government must not try to discredit opposition figures by accusing them of being Russian agents.
- ***Support Pluralism:*** Opposition parties would be more inclined to participate if they felt the system was not stacked against them. Television stations need to provide more even and balanced coverage especially during the run-up to elections. In addition to training and technical assistance for political party development, opposition parties should receive greater public financing that includes support to party-affiliated think-tanks (as recently proposed by the Georgian government).
- ***Protect Civil Liberties:*** A "patriot act" for Georgia is a bad idea and should be abandoned. If parliament insists on adopting it, the legislation should include an expiration date.

Georgian-Russian Relations

Georgia and Russia have severed diplomatic relations. Even Georgia's consulate in Moscow is closed, which creates problems for an estimated half million ethnic Georgians living in Russia, as well as Georgians with dual citizenship. The Georgian government is adamant that it cannot resume relations with Russia as long as Russian armed forces remain in Abkhazia and South Ossetia at levels exceeding pre-war totals. Russia's disparaging of Saakashvili also makes resuming relations difficult.

International mediation will be required for the foreseeable future. Internationalization serves Georgia's interests, especially when it comes to security and status issues. It also has pitfalls. The EU will host the Geneva Conference in mid-October. The meeting is intended to address the full range of post-conflict issues that have arisen between Russia and Georgia. Russia has, however, thrown a monkey wrench into the process by insisting that official delegations from South Ossetia and Abkhazia attend. The Georgian government cannot countenance sitting at the diplomatic table with the heads of Georgia's secessionist regions.

What is the way forward?

Recommendations

Following are suggestions on configuring the mediation process:

- **Name:** "International Conference on Post-Conflict Issues in Georgia."
- **Chair:** Nicolas Sarkozy (on behalf of the EU Presidency).
- **Participants:** Only officially recognized Member States and international organizations can participate in the formal plenary. Participants should include countries directly involved in the conflict: Georgia and the Group of Friends (Russia, the United States, United Kingdom, France, and Germany); the EU Troika (Slovenia and Greece); countries bordering the Black Sea (Ukraine, Romania, Turkey, Bulgaria); major donors (e.g. Norway, Sweden, Japan); international organizations [OSCE, UN/SRSG, UN field agencies (e.g. UNHCR, UNDP, UNICEF), and other members of the country team]; international financial institutions (World Bank, IMF, IFC, EBRD).
- **Level:** Foreign ministers, chairmen-in-office, special envoys, agency heads, International Financial Institution (IFI) directors. Each delegation will have a head. The head of delegation and three other members will have access to the plenary hall. Additional delegation members will be seated in chairs ringing the first tier of seats at the table.
- **Agenda:** The chairman will make opening remarks followed by Georgia, Russia and other Member States (in alphabetical order). Chairmen-in-office, agency heads, and IFI directors would then speak.
- **Structure:** The plenary hall will be ringed by caucus rooms, which will serve as meeting places between the delegations and other "directly affected parties." These may include the defacto

authorities in Abkhazia and South Ossetia, as well delegations from the Abkhazia and South Ossetia governments-in-exile. In addition to discussions in the caucus rooms, informal networking will happen at the coffee bar.

- **Outcome:** Sarkozy will issue a chairman's statement summarizing key findings and recommendations and affirming that future efforts by the international community will be based on the principles of "independence, sovereignty, and territorial integrity." The Geneva Conference will evolve into a "mediation process," with working groups meeting on a regular basis for at least 2 years. Working group topics may include, for example: sovereignty, minority rights, trade, transportation, energy, environment, and organized crime. Each working group will be chaired by an international mediator, include representatives from Georgia, Russia and "directly affected parties," as well as international experts selected by the chair that may be seconded from foreign ministries or come from private institutions. A ministerial level implementation review (after 1 year) and quarterly meetings of a "contact group" (of political directors) are envisioned. (Note: This mediation process will be distinct from past UN efforts to bring Georgian, Abkhaz and South Ossetian representatives together in Geneva).
- **Financing:** The EU will develop a budget and, as chair of the mediation initiative, provide financing for working group activities over 2 years.
- **Precedent:** London Conference for the former Yugoslavia (August 17-18, 1992).

Role of the International Community

The mediation process will engage international actors in the broad spectrum of post-conflict issues facing Georgia and the region. Consistent with its role to date, the EU will continue to take the lead. The United States must, however, play a robust behind-the-scenes role in order to ensure a dynamic and ultimately effective process.

This report is not the place to evaluate Sarkozy's performance. Suffice it to say that France, on behalf of the EU, has been energetic in addressing the Georgia crisis. Sarkozy's efforts have been supported by most EU member states. Countries in Central and Eastern Europe have been most vocal. On August 12, for example, five heads of state from nations once controlled by the Soviet Union — Latvia, Lithuania, Estonia, Ukraine and Poland — joined the Georgian people at a rally in Freedom Square rebuking Russia for its aggression. EU member states believe that Russia has legitimate interests and support dialogue with Russia to avoid confrontation. Future EU presidencies are unlikely to have the same focus or clout as France. Over time, the EU will develop a case of "Georgia fatigue." Georgia has limited prospects for EU membership. The absence of a Lisbon Treaty, EU disunity over Turkey's candidacy, and Balkan countries in the queue, are all limiting factors.

Georgia has become a top foreign policy issue in the U.S. presidential campaign. Both campaigns have articulated similarly strong support for Georgia. Whoever becomes president will continue vigorous U.S. assistance to Georgia and its people. Georgia will not be abandoned. Not only do Americans and Georgians share core values, but an independent and sovereign Georgia is in the national interest of the United States.

Recommendations

The EU should:

- Intensify cooperation with Georgia through existing mechanisms such as the European Neighborhood Policy (ENP), the Black Sea Synergy Initiative and the pending Eastern Partnership Program (in addition to the measures proposed in the body of this report). The EU should develop "ENP-plus," as a more robust and proactive instrument for dealing with the Caucasus. Not only is ENP not enough; it actually reinforces the "peripheral" nature of ENP states.
- Conduct an overall assessment of the EU-Russia relationship during the run-up to the EU-Russia Summit in Nice on November 14. If Russia does not implement its commitments or obstructs progress at the Geneva Conference, the EU should formally suspend talks on a Partnership and Cooperation Agreement and pull back its visa facilitation regime for Russians traveling to Europe. The EU should implement sanctions on individuals and corporations traveling to, buying property in, and doing business with Abkhazia and South Ossetia.
- Explore diversified energy supply routes lessening its dependence on Russian sources. Both gas suppliers and European countries should reaffirm their support for the Nabucco pipeline while reconsidering projects that serve Russia's interest. To enhance energy security, they could also expand purchases from Norway and seek new suppliers (e.g. Iraq, Algeria, Kazakhstan, Turkmenistan, and Nigeria).

In addition, NATO should stand by its decision to suspend regular meetings of the NATO-Russia Council as long as Russian troops remained in the two breakaway regions.

Turkey has proposed the “Caucasus Cooperation and Stability Platform.” While the initiative has its merits, it would work best with U.S. and European participation. Georgia should undertake cooperation with its Eurasian neighbors on:

- ***Security issues:*** fighting crime and corruption, migration, and cooperation in the face of natural disasters.
- ***Economic issues:*** eliminating customs barriers, harmonizing commercial legislation, and implementing free trade agreements.
- ***Infrastructure issues:*** opening borders to normal travel and trade, improving the region’s transportation network, and integrating regional countries’ electricity and natural gas networks.

The United States and Europe must make clear to Russia that it has crossed a red line in recognizing Abkhazia and South Ossetia. It is hoped that the West could provide a strong, consistent and coherent response. However, recent events revealed the limits to cooperation. Divisions within Europe and between the United States and Europe make it hard to find consensus on a robust diplomatic response.

Countries must decide for themselves when it comes to participating in the 2014 Winter Olympics in Sochi (just 35 km from Georgia’s border). The U.S. Congress should adopt a resolution making clear that preparations for Sochi must not in any way support the secession of Abkhazia and South Ossetia. It is too soon to tell, but if Russia maintains its garrisons in Abkhazia and South Ossetia and refuses to rescind its recognition of these territories, the United States should consider boycotting the Sochi Olympics and lead an effort for other countries to do the same. Not only should western countries reconsider going to Sochi, but with Russia making a farce of “Olympic principles,” they should also petition the International Olympic Committee to assess Russia’s suitability as a host country.

Acronyms

BOTAS	Turkish Petroleum Pipeline Corporation
BTC	Baku-Tbilisi-Ceyhan
BULGARGAZ	Bulgarian Natural Gas Distributing Company
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
ENP	European Neighborhood Policy
EU	European Union
FDI	Foreign Direct Investment
GSP	Generalized System of Preferences
HIC	Humanitarian Information Center
HPP	Hydro-Power Plant
ICRC	International Committee of the Red Cross
IDPs	Internally Displaced Persons
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
LNG	Liquefied Natural Gas
MAP	Membership Action Plan
MOL	Hungarian Oil and Gas Public Limited Company
NAC	North Atlantic Council
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OMV	Austrian Mineral Oil Authority
OPIC	Overseas Private Investment Corporation
OSCE	Organization for Security and Cooperation in Europe
SRSR	Special Representative of the Secretary General
TIFA	Trade and Investment Framework Agreement
TRANSGAZ	Romanian Natural Gas Company
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
USAID	U.S. Agency for International Development

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David L. Phillips is currently a senior fellow and director of the Forum on Georgia and the Caucasus at the Atlantic Council of the United States, a visiting scholar at the Center for Study of Human Rights at Columbia University, an associate professor at New York University's Graduate School of Politics, and a project director of the National Committee on American Foreign Policy. Phillips has worked as a senior adviser to the United Nations Secretariat and as a foreign affairs expert and senior adviser to the U.S. Department of State. He has held positions as a visiting scholar at Harvard University's Center for Middle East Studies, executive director of Columbia University's International Conflict Resolution Program, director of the Program on Conflict Prevention and Peace building at the American University, and as a professor at the Diplomatic Academy of Vienna. He has also been a senior fellow and deputy director of the Council on Foreign Relations' Center for Preventive Action, director of the European Centre for Common Ground, project director at the International Peace Research Institute of Oslo, president of the Congressional Human Rights Foundation, and executive director of the Elie Wiesel Foundation. He has vast experience in the Caucasus currently as director of the Atlantic Council's Georgia Initiative and as co-director of the Study Group on U.S.-Russian and Georgian Relations at the Harriman Institute Columbia's. He previously served as director of American University's Conflict Resolution Program for Turkey and the Caucasus and the Georgia Commission at the Council on Foreign Relations. Mr. Phillips is author of *From Bullets to Ballots: Violent Muslim Movements in Transition* (Transaction Press, 2008), *Losing Iraq: Inside the Postwar Reconstruction Fiasco* (Perseus Books, 2005), *Unsilencing the Past: Track Two Diplomacy and Turkish-Armenian Reconciliation* (Berghahn Books, 2005). He has also authored many policy reports, as well as more than 100 articles in leading publications such as the *New York Times*, *Wall Street Journal*, *Financial Times*, *International Herald Tribune*, and *Foreign Affairs*.

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