



EUROPEAN
COUNCIL
ON FOREIGN
RELATIONS
ecfr.eu

POLICY
MEMO

GEORGIA'S VULNERABILITY TO RUSSIAN PRESSURE POINTS

Sergi Kapanadze

SUMMARY

Georgia is set to sign the Association Agreement with the EU this month. Given the dramatic turn of events in Ukraine and the conflicts that Georgia's past Western integration efforts have roused, Tbilisi has good cause to worry. Russia has made its disapproval of a European path for its small, southern neighbour clear and is likely to utilise whatever means it has to derail Georgia's European ambitions.

This paper analyses the various economic, political, and military pressure points that Russia can target. Georgia has decreased its dependency on Moscow substantially since its last dramatic conflict with Moscow in 2007. However, this memo argues that Russia still has the means to influence Georgia's foreign-policy choices by attacking strategic bilateral vulnerabilities that include wine exports, remittances, investment, winter oil supplies, domestic divisions, and the occupied regions of Abkhazia and South Ossetia.

While few of the pressure points that Russia can push are lethal in and of themselves, their cumulative impact could have a profound effect on Georgia's domestic political stability and economic viability. All the more worrisome after the Crimean annexation is Moscow's substantial sway in Georgia's occupied regions, which provides the Kremlin with great destabilising potential. Therefore, the Georgian government's confidence that it is better able to withstand Russian pressure than Ukraine is misguided and deeply dangerous.

Since the Association Agreement fallout in Ukraine, it has become abundantly clear that Russia is prepared to fight to protect what it considers its sphere of influence and to block the countries in the "common neighbourhood" from moving closer to the European Union. This is certainly true of Georgia, where Russia has tested a wide range of instruments over the last 20 years to retain influence over its former vassal. From economic embargoes, the expulsion of Georgian citizens, and the occupation of Georgia's territories, to terrorist attacks and direct interference in domestic politics, Russia has applied an array of tactics to undermine the Georgian state, intensifying the pressure whenever Georgia attempted to enhance its relations with the West.

Russia's leaders have repeatedly made it clear that they will not accept European integration for the Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine). As Georgia is poised to sign an Association Agreement with the EU, Tbilisi and Brussels need to prepare for a response from Moscow. This memo outlines Moscow's potential pressure points, and identifies those where there is particular cause for concern. Although Georgia is not overly dependent on Russian gas, its reliance on Russian oil has been increasing. Moreover, Georgia has enough economic, social, and security vulnerabilities vis-à-vis Russia to be destabilised by a combined assault from Moscow. From a wine embargo and remittance blockage, to stoking domestic discord and anti-EU sentiment, Russia has a number of leverage points with which to weaken Georgia. In particular, as is glaringly evident after the Crimea

annexation, Russia's influence over the occupied regions of Abkhazia and South Ossetia in Georgia provides powerful possibilities to subvert Tbilisi and its European aspirations.

Georgia: A Battleground of Conflicting Interests

Since the parliamentary elections of 2012 and the presidential elections of October 2013, Tbilisi has been governed by the Georgian Dream coalition, created by the billionaire Bidzina Ivanishvili in 2011. The coalition consists of a number of political parties united against ex-president Mikheil Saakashvili and his United National Movement party. After Ivanishvili and his coalition won the parliamentary elections in 2012, Saakashvili gave up most of the presidential powers voluntarily, despite the fact that the new constitution, which changed Georgia's super-presidential system into a parliamentary system, did not take effect until October 2013. As a result, a year-long period of strained cohabitation ensued. But the two political forces managed to find consensus on several important issues, including constitutional changes and some foreign-policy questions.

In March 2013, the Georgian parliament adopted a bipartisan resolution on foreign policy. European and Euro-Atlantic integration was deemed "the main priority of the country's foreign policy course". Even though the resolution is very clear on Georgia's foreign-policy ambitions, it also contains some ambivalent paragraphs that indirectly acknowledge Russia's security interests in the region. For instance, Paragraph 12 of the resolution reads:

Georgia will contribute to rapprochement of positions of the United States, EU and the Russian Federation, as well as of other states in South Caucasus, in line with the interests of our country and principles of the Helsinki [Final Act].¹

This rather awkward statement acknowledges that Georgia is a battleground of conflicting interests. After the elections, the Georgian Dream coalition released a memo outlining its foreign policy vision (called "14 points"). Two articles are particularly relevant: Point 7 reads that "Georgia's policy should not be directed towards performing a role of a strategic player in the processes of ongoing confrontation on a global and regional scale", and two paragraphs further it goes on to say that "it is in the interests of Georgia to no longer be on the list of differences between the West and Russia". These statements demonstrate the pathos of foreign-policy vision that exists in Georgia's current foreign-policy elite – that Georgia should be a quiet actor keen on integrating into the EU without upsetting Moscow. This might seem naïve, but it is an approach that has been explicitly promoted by

foreign-policy decision makers, including the former prime minister Ivanishvili and the current prime minister Irakli Gharibashvili. Yet the question remains, what will Georgia's government do if Russia aggressively contests its European aspirations, as it did the Saakashvili administration's courtship of NATO in 2007–2008?

If Russia decides to up the pressure on Georgia, it has a number of options. Russia's pressure points can be grouped into three categories: economic, political, and security.

Russia's Economic Leverage

Georgia's economic dependence on Russia is different than that of Ukraine, Moldova, and Armenia. Georgia has four central areas of economic vulnerability in relation to Russia: investments, trade, energy, and remittances.

Investments

Georgia's core economic sectors are relatively diversified, as are foreign direct investments (FDI) in the country. According to Geostat, Georgia's statistics office, the five largest investors in Georgia in 2013 were the Netherlands (\$180 million), Luxembourg (\$145 million), China (\$98 million), Azerbaijan (\$95 million), and Turkey (\$74 million). Russia does not even make the list of the ten top investors.² In 2012, Georgia received a total of roughly \$911.6 million in FDI, with about half of that coming from the EU member states (\$440 million). Former Soviet states accounted for only \$86 million, with only \$20 million of this coming from the Russian Federation. In fact, since 1996 Russia has never accounted for more than 10 percent of Georgia's total FDI and the proportion has steadily sunk, to 2 percent in 2012. The data from 2013 shows that Russian investments have become negative (minus \$1.29 million).³ Thus, immediate Russian FDI withdrawal does not pose a serious threat to Georgia.

The structure of future FDI in Georgia, however, could be an issue. The Georgian economy is highly dependent on FDI and it is widely believed that FDI of over one billion US dollars a year is required to keep the country's economic growth over five percent. Currently, the government is attributing great importance to the co-investment fund that it created after coming to power in 2012. It has already been announced that over \$5 billion has been pledged by various investors to this fund, including by the previous prime minister Ivanishvili. If Russia's role in the co-investment fund increases dramatically, and if Western FDI decreases, this would bestow Moscow with a new degree of leverage –

¹ "Parliament Adopts Bipartisan Resolution on Foreign Policy", *Civil.ge*, 7 March 2013, available at <http://www.civil.ge/eng/article.php?id=25828>.

² Geostat (National Statistics Office of Georgia), *Foreign Direct Investments*, available at http://geostat.ge/index.php?action=page&p_id=140&lang=eng (hereafter, Geostat, *Foreign Direct Investments*).

³ Geostat, *Foreign Direct Investments*.

leverage that it might be more willing to apply than in the past. Previously, when Russian companies invested into Georgian electricity and banking sectors, they were wary of using their presence for political reasons, knowing that they could not influence Georgian politics without serious financial repercussions. But the Putin regime and its allies in the business community might be willing to pay a high price to assert itself geopolitically.

Trade

With Russia's accession to the WTO, Georgia acquired additional WTO-based instruments to compel Russia to lift the trade restrictions it implemented in 2006. Russia had closed its market for Georgian agricultural products, wine, and mineral water. However, because of WTO membership and improved bilateral relations between Tbilisi and Moscow after the change of government in Georgia, Russia's consumer-protection agency lifted restrictions on the Georgian products and trade resumed. Exports to Russia subsequently quadrupled, from \$45 million in 2012 to \$190 million in 2013. The value of exports to Russia is now higher in absolute numbers than at any other time since Georgia's independence, almost \$40 million higher in 2013 than in 2005, the year before the embargo. Georgian exports to Russia will probably continue to grow as the government has been touting Russia's open market to Georgian producers.⁴

Wine exports are a particular case of both economic and symbolic importance. Surprising many, Georgian wine sales quickly rebounded once Russia lifted the embargo. In the last six months of 2013, close to 21 million bottles of wine were exported from Georgia to Russia. This compares with a total of 52 million bottles before the embargo, about 5 percent of the Russian wine market. Georgian wines now have a 2.5 percent share of the Russian market, with solid growth prospects. Crucially, 50 percent of total Georgian wine exports go to Russia, indicating a growing dependence.⁵ In the first quarter of 2014, almost 70 percent of Georgian wine exports went to Russia.⁶

Thus, although Georgia's foreign trade is quite diversified, with no single partner accounting for more than a quarter of overall trade, the growing share of exports to Russia does render the Georgian market vulnerable, and particular sectors, such as wine, more so. We have seen the Russian consumer-protection agency politicise trade and ban certain products when political relations with Russia deteriorate, not only in Georgia, but also in the Baltics, Moldova, Ukraine, and Central Asia.

Energy dependence

Georgia is not overly dependent on Russian energy. In fact, though it was dependent on Russian imports until 2006, Georgia has become a net electricity exporter to Russia since 2007.⁷ In January–April 2014, Georgia imported from Russia only 216 million kwt/hr of electricity, which is almost six times less than in the last four months of 2006. In the spring and summer months, when its hydroelectric capacities are at peak levels, Georgia also exports to Russia several hundred million kwt/hr of electricity. In 2013, Georgia sent 370 million kwt/hr to Russia. The Ministry of Energy expects exports to grow in 2014.⁸ Thus, Georgia has a net independence from Russia in terms of electricity supply, though it does still rely on Russian electricity in the winter.

As for the import of gas and oil, Georgia's main trading partner remains Azerbaijan. Georgia's imports of oil and oil products in 2010–2013 is shown in the chart below.⁹ As the chart illustrates, imports from Russia have increased in the last three years by a factor of almost five, while the cost of the hydrocarbons imported from Russia tripled. Thus, while the total share of Russian oil is only about one eighth of total imports, there is a growing dependence.

The dependence on Russian natural gas is following an opposite trajectory. In 2013, Georgia imported almost 1.5 times less natural gas from Russia than in 2010.¹⁰ In the same period, Georgian imports of natural gas from Azerbaijan were 11.5 times higher in 2013 than in 2010.¹¹

Remittances

Remittances from Russia have traditionally provided a significant share of Georgia's economy. In 2013, Georgia received \$1.47 billion in remittances, 54 percent of which came from Russia.¹² And both the volume and the share of remittances out of Russia has increased in recent years. For instance, remittances from migrants in Russia grew from \$498 million in 2010 to \$801 million in 2013.¹³

Thus, a remittance ban is one of the most potent economic weapons in Moscow's arsenal. Which may be why Russia deliberated taking this action during the conflict in 2006.¹⁴ However, remittance ban is a complicated instrument that comes with credibility costs for Moscow as well as practical challenges. It is difficult to compel all international companies, such as Western Union, to stop

⁷ ESCO – Electricity Market Operator, *Electricity Import/Export Statistics*, available at http://esco.ge/index.php?article_id=43&clang=1 (hereafter, ESCO, *Electricity Import/Export Statistics*).

⁸ ESCO, *Electricity Import/Export Statistics*.

⁹ Chart based on the information retrieved from Geostat and the Ministry of Energy through official correspondence with Georgia's Reforms Associates.

¹⁰ 50,948 million tons in 2010; 37,093 million tons in 2013.

¹¹ In 2010, 97,533 million tons; and in 2013, 1,123,695. Information retrieved through official correspondence with the Georgian Statistics Office by Georgia's Reforms Associates (GRASS) in January 2014 (hereafter, GRASS).

¹² GRASS.

¹³ GRASS.

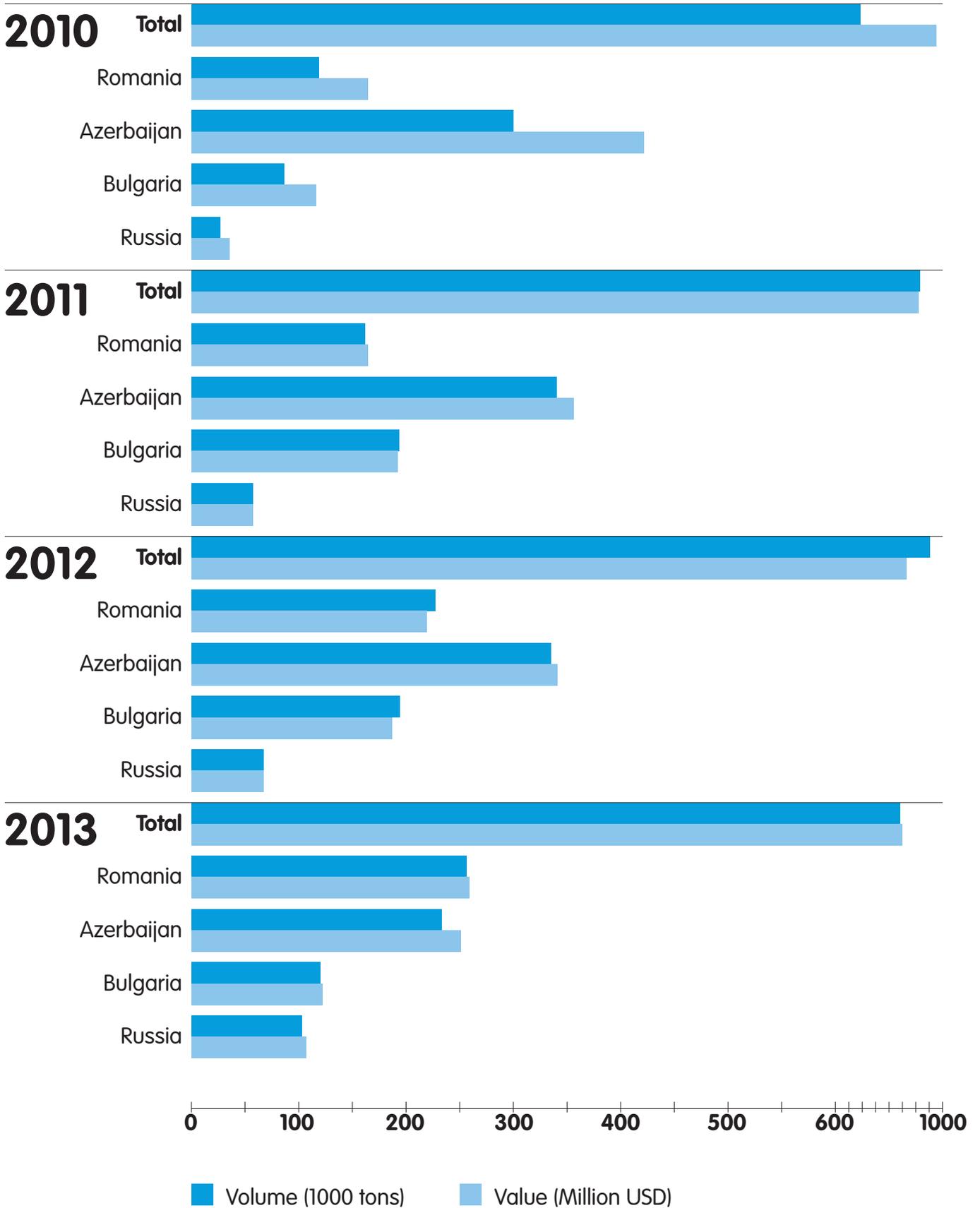
¹⁴ Oleg Gladunov, "Migrants' money will stay in Russia", *Rosyiskaya Gazeta*, 5 October 2006, available at <http://www.rg.ru/2006/10/05/finansy.html>.

⁴ Geostat (National Statistics Office of Georgia), *External Trade, Georgian exports by countries*, available at http://geostat.ge/index.php?action=page&p_id=137&lang=eng.

⁵ FactCheck Georgia, "Gigla Agulashvili speaks about the 2013 harvest and wine export", *Factcheck.ge*, 30 April 2014, available at <http://factcheck.ge/en/article/gigla-agulashvili-speaks-about-the-2013-harvest-and-wine-export/>.

⁶ Nino Evgenidze, "Georgian wine export, threats and benefits", *Radio Free Europe/Radio Liberty*, 30 April 2014, available at <http://www.radiotavisupleba.ge/>.

Figure 1
Georgian hydrocarbon imports



sending remittances to Georgia, and only partial compliance translates to complete policy failure. Even if Moscow did manage to get all the official companies to commit, alternative options might still render the policy ineffective, as Georgians could transfer money from or via Ukraine or Belarus, or for instance rely on Hawala – informal, often person-to-person, money transfers.

As well as their money transfers, Moscow could also go after Georgian migrants who reside and work in Russia. While the official figures are usually underestimated by Georgian government agents, it is likely that there are at least a few hundred thousand Georgian citizens living in Russia, if not a million, as Human Rights Watch reported in 2007.¹⁵

Unlike other EaP states, Georgia has already suffered from an ethnic-based expulsion policy from Russia. In 2006, during a tense period that included the ban on Georgian wine imports, Russian authorities expelled ethnic Georgian migrant workers en masse. This was Moscow's response to the so-called "spy scandal", which erupted after Georgia apprehended a Russian intelligence ring in the country, arresting four Russian and ten Georgian citizens. In response, several thousand Georgians in the Russian Federation were deported to Georgia, mainly in aircraft usually used to transport cattle and goods. Two people died as a result of these deportations.

Though the deportations of 2006 were a shock (and devastating for the people involved) they did not have an impact on Georgia's economy. Many of the deported Georgians started their small enterprises and businesses in Georgia, and many more made their way back to Russia, through either Ukraine or Belarus. The overall unemployment picture remained unchanged (13.8 percent in 2005, 13.6 percent in 2006, and 13.3 percent in 2007).¹⁶

In fact, the deportations may have hurt Russia's reputation more than anything. Georgia's government sued the Russian Federation in the European Court of Human Rights, which declared the case admissible in 2009. The final verdict is expected in 2014, and it is likely that Russia will lose.

Despite the relatively neutral picture for the Georgian economy, because of the high cost involved for the deported, one hopes that Moscow will not again target Georgian immigrants in Russia.

Sowing Political Discord

Russia can manipulate political and societal forces within Georgia to push an anti-EU and pro-Russian agenda. As

Georgia starts to implement the visa-liberalisation action plan and Deep and Comprehensive Free Trade Agreement (DCFTA), opponents of European integration will emerge, whom Russia can support to bolster anti-EU sentiments. Among such groups are two relatively marginal political parties and the Georgian Orthodox Church.

Two political parties, one headed by the former speaker of parliament Nino Burjanadze (Democratic Movement – United Georgia) and another by Kakha Kukava (Free Georgia) are open advocates of the Kremlin and against European integration. Kukava's party has negligible ratings, while Burjanadze managed to garner 10 percent of the vote in the 2012 presidential elections. With more financial and strategic support from Moscow, these parties could have a disruptive effect on domestic efforts in Georgia to move ahead with integration.

The Georgian Orthodox Church has deeply entrenched beliefs and positions that are traditionally linked with the Russian Orthodox Church and ill-matched with European values of tolerance, pluralism, and accountability. Despite the clear position of the ailing Patriarch Ilia II that Georgia's European integration is important, it is not clear if the patriarch's entourage shares this view. Some painful reforms are likely to awaken the ire of the church, including the anti-discrimination laws and biometric passports.

Anti-discrimination legislation is generally interpreted by the Georgian Orthodox Church as infringing on "traditional" Georgian values as well as the *primus inter pares* role of the church in Georgian politics and society. The church openly opposes policies that promise equal opportunity despite religion, sexual orientation, and ethnicity. In Moldova and Georgia, the Georgian Orthodox Church openly opposed the anti-discrimination legislation, staging protests, threatening to withdraw support for the government, and even "excommunicating" supporters of the legislation.

Another example of the church not supporting pro-European policies is reflected in its attitude towards biometric passports. The church, somewhat strangely, opposes biometric documents, finding them to be contrary to its values and threatening to the souls of the believers.¹⁷ Biometric passports, however, are essential for receiving visa-free travel with the EU, hence further confrontation on this issue is inevitable.

Beyond these particular forces, we can expect resistance to grow within Georgian society as the country moves on with the implementation of the DCFTA, and particularly with the transposition of a number of EU directives and regulations in other fields. Georgia must implement over 320 directives and regulations in the next few years, effectively restructuring the Georgian economy. These changes will fuel opposition

¹⁵ "Singed Out. Russia's Detention and Expulsion of Georgians", Human Rights Watch, 2007, p. 4, available at <http://www.hrw.org/sites/default/files/reports/russia1007webcover.pdf>

¹⁶ Geostat (National Statistics Office of Georgia), *Employment and Unemployment*, available at http://geostat.ge/index.php?action=page&p_id=146&lang=eng.

¹⁷ Giorgi Laponava, "Why Instead of Words?", *Tabula*, 14 September 2011, available at <http://www.tabula.ge/en/story/70168-why-instead-of-words>.

among anti-EU interest groups who oppose the government's EU path and advocate suspending the DCFTA and Association Agreement to "save the Georgian economy". Moscow will likely support such groups, with which the church will likely be aligned. This clash could be dramatic, spurred as well by large circulation populist newspapers in Georgia that spread pro-Russian propaganda, usually blended with Georgian nationalistic language and hate speech.

Moscow could also decide to bolster the separatist movement in Samtskhe-Javakheti, a predominantly Armenian-populated region, which has traditionally enjoyed close links with Armenia. In recent years, the Georgian government has invested in the region, and its economic development has improved, as major infrastructure has been rebuilt. However, Javakheti is still one of the poorest regions in Georgia and the major infrastructure project – the Baku-Akhalkalaki-Kars railway, which connects Azerbaijan with Turkey through the Javakheti region – is viewed by some local actors as an anti-Armenian conspiracy by the Turkish nations. Russia has the resources to stir separatism in Javakheti, relying on its traditional intelligence contacts (a Russian military base was located in Javakheti until 2007) and separatist-minded local elements, some of whom were arrested by the Saakashvili government but have been released by the Georgian Dream coalition as part of a wide amnesty in 2013. As the Crimean events show, Moscow claims the right to intervene in foreign states to "protect" Russian citizens. There are reports of Russian passports being distributed in Javakheti, as well as other ethnic minority populated areas in the EaP.¹⁸

Advancing Insecurity through the Occupied Regions

Where Russia holds the most trump cards vis-à-vis Georgia is with the two occupied regions, Abkhazia and South Ossetia (considered by Moscow to be independent). The two regions have been embroiled in a conflict with Tbilisi since the early 1990s. In the years since, close to half a million people have been forced to leave their homes and few have returned. In 2008, after the five-day war with Georgia, Russia recognised the independence of these regions and attempted to gain their international recognition. Through a mixture of military contracts, monetary assistance, personal favours, and bribes, a few countries obliged.¹⁹

Russia can easily use the occupied regions to hinder Georgia's rapprochement with the EU – by directly threatening annexation, but also by using the regions to destabilise the adjacent areas.

As the events in Crimea in early 2014 showed, Russia could go as far as annexing either occupied region or both. South Ossetia, though, is the most likely candidate. For years, some actors in South Ossetia have argued for reunification with the Russian region of North Ossetia – despite the fact that South Ossetia is a relatively new political creation and had no land connection with Russia until the Roki Tunnel was built through the Caucasus mountains in 1984. After Crimea, any whisper of annexation from Moscow is a powerful threat. This scenario is particularly worrisome because the Soviet-era borders of the autonomous district of South Ossetia are open to multiple interpretations. Russian military leaders and diplomats could produce maps that envisage a larger territory for South Ossetia than it currently controls, and even a small extension would have serious consequences for Georgia. The country's only East–West highway is just south of South Ossetia, and other critical infrastructure, such as the electricity transmission line Kartli 2 and the Baku–Supsa pipeline, are also just beyond South Ossetia's current borders.

Russia could also continue using the occupied regions to instil terror and instability in the adjacent areas. In recent "borderisation" campaigns, for instance, Russian border guards, who are officially guarding South Ossetian "state borders", set up barbed-wire partitions, artificially dividing households, sometimes even leaving the house on one side of the wire and the lavatory on the other.

Drawing barbed-wire borders is not the end of it. Russian border guards and military intelligence officers were believed to be behind dozens of terrorist and sabotage attacks in Georgian territory between 2008 and 2012. Kidnappings in the vicinity of the Administrative Boundary Line (ABL) between South Ossetia and Georgia are a common occurrence. Shootings and lootings near the ABL, which have declined in recent years, can be easily ratcheted up again by Russian troops. Between 2009 and 2011, ten terrorist attacks were carried out or attempted in Georgia, including one near the office of the Labour Party and another at the US embassy in Tbilisi. Naturally, it is difficult to prove Russia's *culpa* in such events. Abkhazia and South Ossetia are impermeably sealed for the international community, and the Georgian government's past attempts to trace suspected perpetrators have been fruitless. In the terrorist attacks of 2009–2011, for example, intelligence implicated Russian military intelligence and deemed the primary suspect to be a Russian military officer, Yevgeny Borisov, who was stationed in Abkhazia. However, Moscow refused to co-operate with the investigation, and Tbilisi was unable to gather sufficient evidence against Borisov.

Recently, concerns have been raised in Tbilisi that Russia could press Georgia into using its territory as a transit for military cargo to Armenia. This has worrying implications, as refusing Russia could lead to a military intervention, which Georgia's current government is not prepared to face. On the other hand, if Georgia agrees to allow Russian military travel through Georgia's territory on the North–South route, it risks becoming a permanent military corridor for Russian troops,

¹⁸ Eka Janashia, "Moscow Distributes Passports in Georgia", The Central Asia-Caucasus Analyst, 7 May 2014, available at <http://www.cacianalyst.org/publications/field-reports/item/12966-moscow-distributes-passports-in-georgia.html>.

¹⁹ Venezuela, Nicaragua, Nauru, Tuvalu, and Vanuatu recognised the independence of Abkhazia and South Ossetia. Vanuatu (in 2012) and Tuvalu (in 2014) reversed their decisions, and it is widely believed that with the change of governments in the other countries, reversal of recognition is inevitable.

which could effectively block the country's transportation arteries and cause destabilisation in the regions populated with ethnic minorities.

Another destabilising practice Russia might invoke is to renew its attempts to convince states or international organisations to recognise Abkhazia and South Ossetia. Since 2008, Georgia has mobilised all its diplomatic resources and successfully countered Russia's efforts. Russia has only seen mild success, including the aforementioned four recognitions and membership of such international organisations as the International Domino Federation and the World Futsal Association. Very often, monetary assistance, political support, state visits, and other "carrots", including significant sums of money, have been directly linked with recognition. In the case of the Micronesian island state of Nauru, the sum of \$50 million and investments in the island's critical infrastructure have been cited.²⁰ To gain recognition from the Polynesian country of Tuvalu, Moscow allegedly offered several hundred thousand dollars as a bribe to the then prime minister Willy Telavi.²¹ (Tuvalu reversed its recognition in 2014, after Telavi lost his majority to Enele Sopoaga, in August 2013.) In the past couple of years, Georgia has scaled down its efforts to block recognition in order to avoid tension with Russia while a bilateral dialogue between the prime minister's special representative, Zurab Abashidze, and Russia's Deputy Foreign Minister Grigori Karasin is taking place. Russia has continued its efforts, but with a lower profile. Embassies, for instance, are still tasked with raising the issue of recognition with various world leaders. Thus, should Russia want to contest Georgia's Association Agreement with the EU, it could likely once again step up its diplomatic war over recognitions.

In relation to the occupied regions, Moscow could also decide to torpedo ongoing negotiations and dialogue formats. The Geneva International Discussions are currently the only forum in which the status of the occupied regions is being discussed, and everything about it is contested – whether they are mediated talks or international negotiations and even whether Russia and Georgia are negotiating, or, as Russia claims, Moscow is mediating between Georgia and Abkhazia and South Ossetia. It is widely believed that the Geneva talks is a better format for Tbilisi than Moscow, for several reasons. First, the talks are in an international format, in which the EU, UN, and OSCE play a mediating role, thus sidelining Russia from the go-between position it enjoyed until 2008. The talks also feature agenda items that put Russia on the defensive, such as a pledge not to use force (a pledge that Russia has not given, though Georgia has) or the implementation of the 12 August ceasefire and international security arrangements (Russia strongly opposes any international presence). Thus, Moscow would welcome the opportunity to foil the Geneva talks in favour of a bilateral Georgian-Russian dialogue, without any EU, UN, OSCE, or US involvement. In any case,

the Geneva talks are likely to be one of Russia's first targets, should it seek confrontation with Georgia.

A more circuitous option Moscow might chose vis-à-vis the occupied territories would be to gain leverage by finding a solution to the Abkhaz and Ossetian issues. Moscow could, for instance, endorse a confederation path. The tactic would likely be to assure the Georgian leadership that if they would only co-operate, say by halting further EU integration steps, Moscow would help them restore Georgia's territorial integrity in agreement with the region's leaders in Sokhumi and Tskhinvali. Georgia's political elite would be unable to resist pursuing such a deal, even if it meant pausing European integration. This would be all the more appealing, as the goal of EU and NATO memberships sometimes seems to be postponed *ad calendas Graecas*, and the Georgian political elite grows disillusioned with the EU and NATO.

However, this path poses risks for Russia, which are likely obvious to Moscow. If Russia manages to internationalise the process of a confederation agreement, involving the EU and other international partners, and channel the discussion in the context of European integration of Georgia, Russia would jeopardise its credibility, also with Sokhumi and Tskhinvali, were it to withdraw its pledge of support.

Unpredictable Russia

It is hard to make predictions when it comes to Russia. As one of Russia's great romantic poets, Fyodor Tyutchev, writes: "It is hard to understand Russia with your mind; you can only believe in Russia." We cannot know whether the Kremlin will use all or some of its available instruments to deter Georgia's EU integration. It is also difficult to predict if Georgia's government will react with as much restraint as the Ukrainian government has done. Many variables will determine the evolution of these scenarios, perhaps the most important being the developments within Ukraine itself. Ukraine is a big prize for Russia. Kiev is central to the political equilibrium in the EU's eastern neighbourhood, and also determines whether the EU's interest in the Eastern Partnership will be political only or also carry a significant economic dimension. Without Ukraine, the market potential of the Eastern Partnership area is quite meagre.

If Russia does decide to use all or many of the instruments available to it, Georgia will be hit hard. Their cumulative weight could have a profound impact on Georgia's domestic political stability and economic viability. Therefore, the Georgian government's confidence that it is stronger and more able to withstand Russian pressure than Ukraine is misguided and dangerous. It is likely that Russia will press Georgia with the various leverages available. Georgia needs to acknowledge its vulnerabilities and warn its EU and NATO allies of the threat, so that when the pressure mounts they are not caught on their heels – as they were in Ukraine.

²⁰ Ellen Barry, "Abkhazia is Recognized – by Nauru", the *New York Times*, 15 December 2009, available at http://www.nytimes.com/2009/12/16/world/europe/16georgia.html?_r=0.

²¹ "In PACE Speech Saakashvili Slams Government", *Civil.ge*, 22 January 2013, available at <http://www.civil.ge/eng/article.php?id=25666>.

About the author

Sergi Kapanadze is Dean of the Caucasus School of Governance at the Caucasus University in Tbilisi, Georgia. He is also associate professor at the Department of International Relations at Tbilisi State University and director of the think-tank Georgia's Reforms Associates (GRASS), where he leads several projects on Georgia's foreign relations, security, and education policies. He also served as Deputy Minister of Foreign Affairs (2011–2012), with responsibility for Georgia–EU, Georgia–US, and Georgia–Russia relations. He led Georgia's delegations to the Geneva International Discussions and was a chief negotiator of the Georgia–Russia trade agreement, which paved the way for Russia's WTO membership.

ABOUT ECFR

The **European Council on Foreign Relations** (ECFR) is the first pan-European think-tank. Launched in October 2007, its objective is to conduct research and promote informed debate across Europe on the development of coherent, effective and values-based European foreign policy.

ECFR has developed a strategy with three distinctive elements that define its activities:

- **A pan-European Council.** ECFR has brought together a distinguished Council of over two hundred Members – politicians, decision makers, thinkers and business people from the EU's member states and candidate countries – which meets once a year as a full body. Through geographical and thematic task forces, members provide ECFR staff with advice and feedback on policy ideas and help with ECFR's activities within their own countries. The Council is chaired by Martti Ahtisaari and Mabel van Oranje.
- **A physical presence in the main EU member states.** ECFR, uniquely among European think-tanks, has offices in Berlin, London, Madrid, Paris, Rome, Sofia and Warsaw. Our offices are platforms for research, debate, advocacy and communications.
- **A distinctive research and policy development process.** ECFR has brought together a team of distinguished researchers and practitioners from all over Europe to advance its objectives through innovative projects with a pan-European focus. ECFR's activities include primary research, publication of policy reports, private meetings and public debates, 'friends of ECFR' gatherings in EU capitals and outreach to strategic media outlets.

ECFR is a registered charity funded by the Open Society Foundations and other generous foundations, individuals and corporate entities. These donors allow us to publish our ideas and advocate for a values-based EU foreign policy. ECFR works in partnership with other think tanks and organisations but does not make grants to individuals or institutions.

www.ecfr.eu

The European Council on Foreign Relations does not take collective positions. This paper, like all publications of the European Council on Foreign Relations, represents only the views of its authors.

Copyright of this publication is held by the European Council on Foreign Relations. You may not copy, reproduce, republish or circulate in any way the content from this publication except for your own personal and non-commercial use. Any other use requires the prior written permission of the European Council on Foreign Relations

© ECFR June 2014.

ISBN: 978-1-910118-06-1

Published by the European Council on Foreign Relations (ECFR),
35 Old Queen Street, London,
SW1H 9JA, United Kingdom

london@ecfr.eu