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GEORGIA'S POST ELECTION: CHALLENGES AND PRIORITIES

Georgia After Parliamentary Elections

Georgia successfully passed its democratic election test, as the parliamentary ballot on October 1, 2012 was declared competitive, credible, and peaceful by international monitors. According to the Organization for Security and Cooperation in Europe (OSCE), the process marked an important step forward in consolidating the conduct of democratic elections. International observers assessed all stages of the Election Day process positively, stating that it demonstrated a “healthy respect for fundamental freedoms.” Equally importantly, the election results were accepted as legitimate by the Georgian public, thus enhancing the credibility and effectiveness of state institutions. The peaceful transfer of power between government and opposition was an unprecedented event in the post-Soviet world and could serve as a model for other aspiring or evolving democracies.

The Georgia Dream (GD) coalition secured a solid majority in parliament. With almost 54% of the vote, it gained 85 of the 150 parliamentary seats and its leader Bidzina Ivanishvili became the country’s new Prime Minister. However, GD fell 15 seats short of the two-third majority required for passing constitutional changes. The previous governing party, the United National Movement (UNM), captured under 42% of the votes, obtained 65 parliamentary seats, and went into opposition.

Despite the smooth election outcome, Tbilisi confronts several important tests in preserving its political and social stability, upholding Georgia’s sovereignty, restoring the country’s territorial integrity, and progressing toward NATO membership and EU accession. One of the unknown factors is how Tbilisi’s relations with Moscow and the West will develop under the new government. Critics charge that Ivanishvili is a Russian proxy as his business assets were earned in Russia. He subsequently used his funds to create Georgia Dream and mounted a successful political campaign.

Ivanishvili and his supporters have denied these allegations and claim that he is committed to Georgia’s independence and Western inclusion and does not bow to any political influence from Russia. Ivanishvili has expressed his commitment to Western integration and a close relationship with the U.S. This presents Washington with an opportunity to consolidate bilateral relations and assist Georgia in its aspirations for NATO membership, in line with the statements that the North Atlantic Alliance has issued following its last two Summits.

Domestic Challenges and Priorities

1. Maintaining Political Stability

Georgia needs to strike a constructive balance between two competing political players represented by the incoming Prime Minister Bidzina Ivanishvili and the incumbent President Mikheil Saakashvili. The President will become the voice of the Georgian opposition while he serves his last year in office, after which Georgia will switch from a presidential to a parliamentary republic in accordance with amendments to the country's constitution that were adopted in 2010 and will go into force in October 2013.

After the recent parliamentary elections, Western skeptics who oppose Georgia's inclusion in NATO will find it more difficult to criticize the country's democratic credentials or admonish Saakashvili for his authoritarian tendencies. However, if the new parliament seeks to oust the President before his term in office expires, it will be accused of reversing democratic progress. Ivanishvili indicated on the campaign trail that he would like to see the constitutional powers of the Prime Minister expanded before October 2013, although he subsequently reversed this position and asserted that he was willing to work with the President. In addition, GD must avoid engaging in Ukrainian-style political retribution by persecuting and imprisoning their predecessors in government.

Georgian Dream is a broad coalition of six diverse political parties with potentially differing agendas whose solidarity will be tested in government. Premier Ivanishvili faces the challenge of holding together a disparate coalition that includes nationalists and free-market liberals who were primarily united in their opposition to the incumbent government. The coalition could diverge in a number of policy arenas, whether over relations with Russia or over the specifics of economic reform.

Moreover, as there is no dominant ruling party, with 100 plus parliamentary seats, capable of passing legislation and amending the constitution without including the opposition, the GD must coexist with its political opponents. Both government and opposition leaders need to be mindful that an orderly democratic process that maintains stability through and beyond the October 2013 presidential elections will greatly enhance Georgia's qualifications for NATO membership and closer relations with the EU.

2. Consolidating the Reform Agenda

The outgoing administration helped to transform Georgia from a dysfunctional state run by clans and corrupt bureaucrats into a country with a legitimate and transparent government. Far-reaching reforms largely eliminated petty corruption, built a well-functioning public services sector, deregulated business, and established the foundations of a liberal democracy. In 2012, the World Bank ranked Georgia 16th out of 183 countries for ease of conducting business. In terms of corruption perception rankings, in 2011 Transparency International placed Georgia 64th out of 183 countries, having moved up four positions since 2010 and registering steady progress over recent years.

The process of combating corruption and ensuring government transparency must continue to be monitored by international agencies. In a positive move, the new Interior Minister Irakli Garibashvili has been tasked with reforming the Interior Ministry to free it from political pressure and influence. Meanwhile, the new Justice Minister, Tea Tsulukiani, has spent ten years working at the European Court of Human Rights in Strasbourg and is outspoken about her commitment to the principle of equality before the law.

3. Stimulating Economic Growth

The Ivanishvili administration will be expected to deliver on its election campaign promises, especially in the economic arena by generating growth and creating employment. Economic conditions in Georgia have improved in recent years, although the impact is not felt evenly throughout Georgian society. According to an IMF report issued in April 2012, Georgia's GDP grew by 6% in 2010 and 7% in 2011 and is projected to continue rising by 6% in 2012. Meanwhile, unemployment in 2011 stood at 14.9%, and is projected to decrease to 14.1% in 2012. However, Foreign Direct Investment (FDI) has decreased significantly in the past few years, falling from a peak of \$2 billion in 2007 to \$553 million in 2010.

Citizens should not naively assume that because the Prime Minister is wealthy then everyone will automatically become rich. A similar situation prevailed in Bulgaria a decade ago when the self-made millionaire and former King Simeon was rapidly propelled into office as Prime Minister, but realism soon prevailed and Simeon's political movement lost ground to other contenders. Georgia's new Prime Minister needs to be careful that the state or the public does not become dependent on his personal funds. Poorer social sectors may welcome his funding, in view of Ivanishvili's previous large-scale subsidies to various constituencies, including his native district of Sachkhere and the Georgian Orthodox Church. However, such policies do not improve economic efficiency and competitiveness and may increase unrealistic expectations for further state subsidies.

According to the European Bank for Reconstruction and Development (EBRD), Georgia's major economic challenge is to make a permanent transition from investment financed by international financial institutions to sustainable private sector investment. Steering the national economy is not the same as running a business, especially if transparency is to be maintained and officialdom largely untainted with corruption. Meanwhile, the competence and unity of the broad GD movement will be tested when policies are implemented. In a post-election meeting with a broad range of businesspeople, Ivanishvili vowed that his government would provide equal conditions for all business, prevent any political pressure on enterprises, and adopt a strict anti-monopoly policy to prevent price-fixing. He will also need to reassure investors that domestic political stability will be maintained and the climate for foreign investment will be improved.

Security Challenges and Priorities

1. Relinking with Occupied Territories

The Kremlin seeks the legitimation of Russian military bases in Georgia's occupied territories of Abkhazia and South Ossetia and will push Prime Minister Ivanishvili to recognize both as sovereign entities. The new government in Tbilisi will seek to normalize its relations with Moscow without making any concessions to Russia that can undermine its aspirations for territorial integrity and national sovereignty.

Tbilisi has stated that it is willing to engage in direct talks with the de-facto governments of Abkhazia and South Ossetia. Previously, these regimes were denounced as puppets of Moscow that Tbilisi could not afford to legitimize through negotiations. The new Georgian leaders may also be prepared to sign a non-aggression pact with the separatist leaders, something that the previous administration had ruled out to avoid the risk of recognizing Abkhazia and South Ossetia as parties to the conflict instead of Russia. However, it expressed a willingness to sign a non-use of forces agreement with the Russian Federation, which Moscow declined.

GD leaders have also stated that they would welcome the revival of economic and trade ties with both Abkhazia and South Ossetia and to review current legislation concerning the occupied territories, but without recognizing the two breakaway regions. A balance needs to be struck between bilateral dialogue with the two entities and non-legitimation of the separatist government as international actors or acceptance of Russia's self-appointed role as the protector of the Abkhaz and Ossetian people.

2. Upholding Road toward NATO Membership

The GD government has underscored its commitment to Euro-Atlantic integration. In an indication of his intentions, Ivanishvili tapped two former diplomats with pro-Western views to take key positions in the government. Incoming Defense Minister Irakly Alasania, served as Georgia's ambassador to the U.N. from 2006 until December 2008, when he resigned and joined the opposition to Saakashvili. He is a staunch advocate of European integration and leader of the pro-Western Our Georgia-Free Democrats (OGFD) party.

Incoming Foreign Minister Maia Panjikidze, a former ambassador to Germany from 2004 to 2007, and ambassador to the Netherlands from 2007 to 2010, has asserted that Georgia's Euro-Atlantic integration would remain the key foreign policy priority, while the country's main partner will be the U.S. with which relations should deepen. Panjikidze also stated that Georgia would never join the Russian-dominated Commonwealth of Independent States (CIS), which Georgia abandoned after the August 2008 war with Moscow.

Nonetheless, as the premier's advisers describe themselves as "pragmatists" there are concerns whether this means a willingness to negotiate for something less than Western

integration. Saakashvili has invited Ivanishvili to work together toward the country's assimilation in the EU and NATO. Ivanishvili stated that they had a concurrence of views on the question of Georgia's Western integration. In particular, the NATO defense ministers meeting in December can be a target for enhancing Georgia's NATO prospects. Saakashvili, who will address the NATO Parliamentary Assembly in Prague in November, has affirmed that during his last year in office he will focus on Georgia's NATO ambitions.

President Vladimir Putin's posture will also contribute to determining the achievements of the new Georgian administration. Moscow is not euphoric over the smooth transfer of power in Tbilisi, as any successful democracy on its doorstep is a threat to Russia's authoritarian political model. Russia's leaders will endeavor to actively influence Georgia's political process so that the country does not qualify for inclusion in western institutions. The Kremlin has specific objectives toward Georgia. At the minimum, it seeks to have a government in Tbilisi that abandons its quest for NATO membership, diminishes its aim of regaining the occupied territories, eliminates its outreach program toward the republics of Russia's North Caucasus, and is no longer openly critical of Moscow's regional ambitions.

3. Improving Relations with Russia

Although Ivanishvili rationally asserts that he wants good relations with both Russia and the U.S., it remains to be seen how he will react if Moscow demands a clearer choice in Georgia's alliances. The Prime Minister will not convince the Kremlin that Georgia's NATO membership poses no threat to Russia, as no other neighboring capital nor the Alliance as a whole have succeeded in this effort. Moscow needs NATO as an adversary and no amount of persuasion is likely to alter this official stance.

Although it would be difficult to restore normal diplomatic relations with a country that occupies Georgia's territory, Tbilisi can pursue some degree of normalization in other areas. For instance, trade ties can be revived. Once Georgia's main trading partner, Russia now accounts for only 4 percent of Georgia's trade. Georgia's main exports, wine and mineral water, are currently banned in the Russian market. Russia is also a natural source of tourists for Georgia's booming tourism industry along the Black Sea coast.

In the energy domain, Georgia's transit role for oil and gas from the Caspian Basin to Europe links the country organically to the West and creates a Western stake in the country's independence and internal stability. Georgia's Western-oriented policy on energy transit is vital for the country's national interests and must be maintained.

The new government will also need to decide its approach toward the North Caucasus, on such questions as recognizing the Circassian Genocide, supporting Georgian PIK television for the region, and maintaining visa free travel for Russian citizens, all policies that the Kremlin has opposed. The more successful and prosperous Georgia's democracy, the more it could serve as an example to the volatile North Caucasus. However, Moscow will view this as unacceptable interference in its internal affairs.

Moscow's optimum objective is to neutralize Georgia, eliminate American influence, prevent any opening of Western military bases, curtail support for energy projects independent of Russia, and bring the entire South Caucasus more tightly under the Russian umbrella. Georgia may even be enticed to rejoin the CIS and induced for inclusion in the planned Eurasia Union (EuU) and the Collective Security Treaty Organization (CSTO), as Moscow seeks to build a major pole of power in Eurasia. Ideally, Putin would like to see a more pliant leadership in Tbilisi that accepts Russian hegemony over the Caucasus, similarly to Armenia. It will be instructive to see whether Saakashvili has been the real stumbling block in bilateral relations or whether it is Moscow's ambitions that are the root of the problem.

4. Enhancing U.S.-Georgia Relations

Tbilisi will need to make decisions in several arenas that directly affect its relations with Washington. This includes Georgia's participation in ISAF operations and in the post-2014 U.S.-led coalition presence in Afghanistan. The government will also need to focus on Georgia's territorial defense needs, given Russia's militarization of the occupied territories and the proximity of a Russian combined arms brigade in South Ossetia. This leads to questions about Tbilisi's need to lobby the U.S. and other Western states for suitable defensive armaments. It also remains unclear how much change will be evident in the Foreign, Defense, and Interior ministries, as the President will retain authority over these ministries, at least formally, according to the current constitution.

For its part, Washington now has an opportunity to consolidate the U.S.-Georgia Strategic Partnership, launched in January 2009, and promote steps toward Georgia's accession to NATO through the granting of a Membership Action Plan (MAP) during the next NATO ministerial in December 2012. Such moves will be in line with the UN Charter Article 51 and the Helsinki Charter that every nation has the right to self-defense, that borders cannot be changed by force, and that every state can forge its own alliances.

Defense and security cooperation must have a clear goal of strengthening Georgia's defense capabilities, including its air defense and radar systems. The goal of "normalized defense cooperation" should focus on how best to support Georgia's territorial defense needs, particularly with regards to materiel and training. U.S. Secretary Hillary Clinton's visit to Georgia in June 2012 sent a positive signal with the announcement of new military assistance under a \$16.6 million aid package. This includes radar training for coastal and aerial defense, the upgrading of Georgia's helicopter fleet, and officer training to improve its ability to defend itself and operate in NATO missions. Clinton stated that modernizing Georgia's defenses was a "shared priority." Additionally, a mechanism for consultation between Washington and Tbilisi can be established during periods of heightened tensions in and around Georgia. Furthermore, Georgia's potential role in NATO's Global Partnership initiative can be elaborated.

If the new government embarks on a path of democratic consolidation and moves Georgia toward membership of Western institutions, its legitimacy and international

stature will increase. The announcement that the new administration is committed to membership in NATO and the EU and that the Prime Minister Ivanishvili's first foreign visits will be to Brussels and Washington are valuable starting points.

5. Key Security Recommendations

NATO Enlargement: The core principle that Alliance enlargement is a prescription for a more stable Europe needs to be reiterated. Georgia is part of the broader process of enlargement and NATO aspirant countries are moving closer toward membership. NATO should send officials to aspirant countries to signal that progress is being made and decisions on enlargement are expected at the next NATO summit scheduled for 2014. This is consistent with the statement by U.S. Secretary of State Hillary Clinton that Chicago 2012 would be the last non-enlargement Summit. Georgia must be involved in all meetings of NATO candidate countries, including ministerial sessions and core partner meetings. It must also be included in NATO documents as one of the candidate group for Alliance membership. Following the Chicago Summit, Georgia is now linked with the three Balkan countries whose accession is accepted as inevitable once the necessary conditions are met.

NATO needs to decide on the instruments of integration. It may be desirable to push for a Georgian Membership Action Plan (MAP), as it better institutionalizes the reform process in Georgia and is a clear sign of de-facto progress toward fulfilling Allied commitment toward eventual NATO membership. However, MAPs should not be considered as the only process leading to NATO integration. Alternative methods can include the Annual National Plans and the U.S.-Georgia Commission. These can be upgraded to fulfill MAP's functions in promoting inter-operability and conducting performance reviews. The prospect of inclusion in NATO is an efficient way to stimulate reforms in aspirant countries.

U.S.-Georgia Relations: The goal of the U.S.-Georgia Strategic Partnership, launched in January 2009, is the full integration of Georgia into European and transatlantic political, economic, security, and defense institutions. Washington and Tbilisi need to conduct a more effective information campaign on their bilateral defense and security cooperation, including its objectives and achievements.

Defense and security cooperation must have a clear goal of strengthening Georgia's defense capabilities, including its air defense and radar systems. Additionally, a mechanism for consultation between Washington and Tbilisi can be established during periods of heightened tensions in and around Georgia. In the Defense and Security Cooperation basket of the Strategic Partnership, an important initiative would be to review the language of Section 1242 of the NDAA regarding Senator John McCain's sponsored language on defense cooperation with Georgia. The goal of "normalized defense cooperation" should develop discussions on how best to support Georgia's territorial defense needs, particularly with regards to materiel and training.

Other areas for security cooperation include Georgia's role in a post-2014 military mission in Afghanistan once NATO, the U.S., and Afghanistan decide what this mission would look like. Additional components can include Georgia's potential role in NATO's Global Partnership initiative.

The U.S. should also continue with its efforts to widen the circle of countries that officially refer to Abkhazia and South Ossetia as Georgian territories occupied by Russia. At the same time, support must be enhanced in consolidating Georgia's democracy and free market. For example, a swift conclusion of a free trade agreement will be extremely beneficial for economic development and Euro-Atlantic integration. The U.S. must also maintain its support for NGO's, advocacy groups, and research centers to assist in the development of a robust and self-sustaining civil society.