

Georgia's Geopolitical Dilemma: European Integration vs. Russian Influence

During Georgia's enduring struggle between embracing European values and succumbing to Russian coercion, the country finds itself at a critical juncture. Despite facing setbacks such as the 2008 occupation of South Ossetia and Abkhazia, Georgia has remained steadfast in its pursuit of European integration. Through initiatives like the EU Eastern Partnership program, which champions democratic principles and educational opportunities, Georgia has maintained its commitment to aligning with Western values. However, Russia's persistent interference, characterized by coercive diplomacy and the creation of conflict zones, poses a challenge to Georgia's aspirations. The recent enactment of Russia's foreign agent law in 2023 further underscores Moscow's determination to exert influence in the region. Amidst this geopolitical tug-of-war, Georgian citizens have taken to the streets, wielding both EU and Georgian flags, to voice their support for European integration and rejection of Russian interference. This public display of solidarity reflects the deep-rooted desire of the Georgian people for a future aligned with Europe. Yet, internal divisions persist, with pro-European forces in the presidency facing off against a pro-Russian ministerial government. This internal friction underscores the complexity of Georgia's political landscape and the divergent interests at play. Looking ahead, the impending 2024 October elections in Georgia hold the promise of reshaping the country's geopolitical trajectory. The outcome of these elections will undoubtedly influence the balance of power between pro-European and pro-Russian factions, potentially reshaping Georgia's geopolitical landscape.

Currently, Georgia finds itself at a pivotal moment in its history, torn between the allure of European integration and the specter of Russian influence. As the country grapples with this geopolitical tightrope, the choices made in the upcoming elections will determine the path forward and shape the future of Georgia's relationship with the EU and Russia.

Introduction

When the Soviet Union was on the verge of collapse, Georgia was one of the first republics, following the Baltic states, to strive ardently for independence. This aspiration led to severe repercussions from the Kremlin, setting the stage for volatile and unstable relations between Russia and Georgia post-Soviet Union. Under the leadership of Zviad Gamsakhurdia (the first democratically elected president of Georgia in 1991) and Eduard Shevardnadze (the second President of Georgia, 1995-2003), tensions intermittently flared between Tbilisi and Moscow. The situation reached a critical point during Mikheil Saakashvili's presidency (2008-2013), as his pro-Western policies and pursuit of full independence provoked Russia to occupy Abkhazia and South Ossetia following the 2008 Russo-Georgian War.¹

With the Georgian Dream Party, founded by Bidzina Ivanishvili, coming to power in 2012, there was a noticeable thaw in Russia-Georgia relations, marked by increased economic cooperation and Moscow's so called "soft power" strategy. However, this growing

¹ See: <https://www.ankasam.org/gurcistanin-bati-ve-rusya-arasinda-denge-kurma-cabasi/?lang=en>

influence came at a cost. The West expressed disappointment with Georgia's proposed "Draft Law on Transparency of Foreign Influence," which was perceived as a deviation from European values of democracy and freedom. Today, Georgia stands at a pivotal juncture, carefully balancing Russian influence with its ambitions for EU integration. The Kremlin has consistently sought to maintain its dominance over former Soviet republics, particularly in the South Caucasus, by creating conflict zones like South Ossetia and Abkhazia. These unrecognized entities have become hotbeds for illegal market activities, further complicating Georgia's efforts to assert its sovereignty.²

In December 2023, Georgia took a significant step towards EU accession, a move that was swiftly followed by the adoption of the controversial Russian Foreign Agent Bill in May 2024 regardless of mass people protests in Tbilisi streets. This legislation has cast a shadow over Georgia's European ambitions, creating anxiety and uncertainty about the country's future trajectory.

Georgia Fighting on Two Fronts: EU Aspirations and Russian Coercion

Since declaring independence in 1991, Georgia's relationship with Moscow has been fraught with tension and mutual suspicion. Georgia has aimed to pursue an independent and pragmatic foreign policy, distancing itself from Russian influence. Georgia has actively sought engagement with external actors like the EU, OSCE (Organization for Security and Co-operation in Europe), and the US, signaling a desire to integrate with the West. This stance has unsettled Moscow, which is displeased with Georgia's pro-European stance and close ties with Washington, particularly the increasing US military presence in the region.

In response, Moscow is striving to maintain its influence over former Soviet states like Moldova and Belarus, feeling that it has lost Georgia and Ukraine to the West. President Vladimir Putin has emphasized Russia's commitment to influencing affairs in these states, disheartened by what it sees as Western efforts to impose democracy in its traditional sphere of influence. Consequently, Moscow has been employing political maneuvers and saber-rattling to reassert its dwindling dominance, using separatist conflicts as tools of foreign policy.³

A parallel situation emerged in Ukraine when it leaned towards closer ties with the European Union, sparking tensions with Russia and ultimately culminating in conflict. This shift in Ukraine's foreign policy orientation stirred geopolitical sensitivities and deepened divisions within the country. The prospect of Ukraine aligning with the EU raised concerns in Moscow, prompting Russia to assert its influence and contest Ukraine's sovereignty.

Coming from the Georgian economic dependence on Russia, in 2022, the export value from Russia to Georgia amounted to \$1.83 billion. Notably, the primary commodities exported from Russia to Georgia included Refined Petroleum, valued at \$622 million, Petroleum Gas at \$112 million, and Wheat Flours at \$66.8 million. Over the last five years, Russia's exports to Georgia have demonstrated a significant annualized growth rate of 46.6%, surging from \$1.02 billion in 2019 to \$1.83 billion in 2022.⁴ In 2023, Georgia experienced notable shifts in its exports to Russia (Graph 2). The most substantial increase occurred in the export of soft drinks, rising by \$32 million (36%). Alcoholic

² See: <https://www.atlanticcouncil.org/blogs/ukrainealert/the-2008-russo-georgian-war-putins-green-light/>

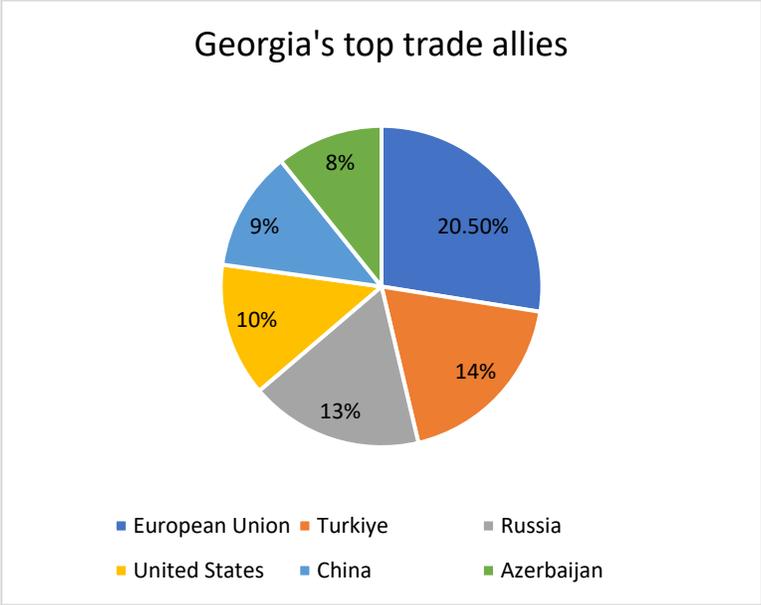
³ See: <https://carnegieendowment.org/research/2024/05/bosnia-moldova-armenia-between-russia-eu?lang=en>

⁴ See: <https://tradingeconomics.com/russia/exports-to-european-union>

beverages also saw a significant uptick, increasing by \$20 million (42%), while citrus fruits experienced a surge of \$14 million (131%).⁵ Conversely, there was a significant decrease in the export of ferroalloys, declining by \$62 million (57%). This decline was attributed to Russia's imposition of an anti-dumping tax on ferroalloy imports from Georgia, effectively halting their export to Russia starting from March 2023.

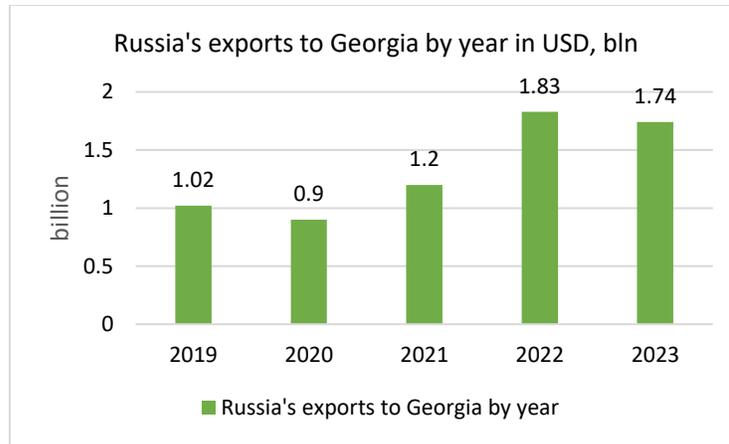
Graph 3 below illustrates Georgian exports to Russia in USD millions from 2019 to 2022. Exports declined from \$496M in 2019 to \$460M in 2020, then rose to \$610M in 2021 and \$642M in 2022, indicating overall growth despite initial decline.

Graph 1. Georgia's top trade allies



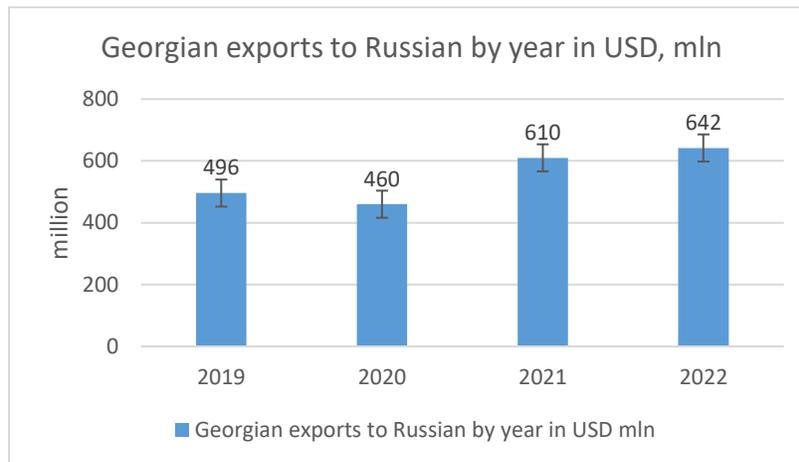
Graph 2. Russian exports to Georgia by year in US dollar, (bln)

⁵ See: <https://transparency.ge/en/blog/georgias-economic-dependence-russia-summary-2023>



Source: GeoStatGov

Graph 3. Georgian exports to Russia by year in USD, mln.

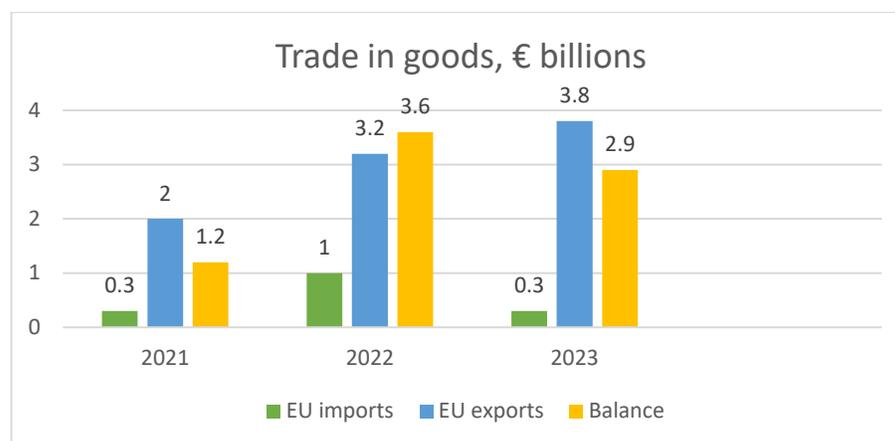


Source: GeoStatGov

From the other side, EU stands as Georgia's primary trade ally, with approximately 20.5% of its trade volume conducted within EU member states (Graph 1). Following closely behind are Turkey, constituting 14.6% of Georgia's trade, and Russia, comprising 13%, US 10%, China and Azerbaijan constitutes 9% and 8% respectively. For the EU, trade with Georgia represents a modest fraction, approximately 0.1%, of its total trade activity, amounting to an estimated turnover of €4.25 billion in the year 2022. EU exports to Georgia surged in 2022, reaching €3.2 billion, marking a significant 57.9% increase compared to the previous year (Graph 4). Mineral products, machinery and appliances, and transport equipment stand out as key export categories driving this growth. Conversely, EU imports from Georgia totaled €1 billion in 2022, reflecting a notable 25.8% increase from the previous year (Graph 4). Mineral products, chemical products, and

textiles are among the primary goods imported from Georgia, indicating the diversified nature of trade relations between the EU and Georgia.⁶

Graph 4. Trade in Goods (€ billions) between Georgia and the EU (2021-2023).



Source: EU official website

Last, but not least, both the European Union (EU) and Russia serve as major exporters to Georgia. Given Georgia's delicate geopolitical position, balancing relations between Russia and the EU remains a key diplomatic strategy. Georgia cannot afford to solely align with Western interests, as it risks provoking Russian ire. Russia consistently exerts pressure on Georgia when it veers towards a pro-European stance. In this geopolitically sensitive region, maintaining equilibrium or balanced diplomacy is prudent for the EU. Still, Georgia's path towards EU accession is beset by geopolitical complexities, notably the persistent challenge of Russian coercion and influence. The annexation of Crimea in 2014 and subsequent destabilization efforts in the region serve as stark reminders of the precarious geopolitical terrain in which Georgia operates. Despite concerted efforts to mitigate Russian pressure through strategic alliances and diplomatic maneuvering, Georgia remains acutely aware of the risks posed by regional instability and geopolitical tensions.

Post-Soviet Informality: Advancing Uncertainty through Occupied South Ossetia and Abkhazia

After the Russian-Georgian war of 2008, South Ossetia was integrated into the Russian economic space without any internal economic development. The emerged corruption, declining population, and infrastructure damage has limited economic activity to the minimum in the territory after the end of a short war. Since the collapse of the Soviet Union, Russia's pragmatic elements and stances have characterized its policy in Eurasia (Russian Eurasian policy as a basis of its geopolitical strand) - the ethnic conflict in

⁶ See: <https://tradingeconomics.com/european-union/exports/georgia>

Transnistria, Abkhazia, South Ossetia, and Crimea.⁷ Russia's policy in Eurasia focuses on maintaining influence through supporting separatist regions (Transnistria, Abkhazia, South Ossetia, Crimea), leveraging economic tools like energy dependency, maintaining military presence, and engaging in strategic diplomacy. These pragmatic elements help Russia assert control, counter Western influence, and safeguard its geopolitical interests in the post-Soviet space. These breakaway regions, separated from Georgia for nearly three decades, have become breeding grounds for illicit trade networks, including smuggling, money laundering, and illicit arms trafficking.⁸ The presence of illegal markets in South Ossetia and Abkhazia poses significant obstacles to Georgia's EU integration aspirations. According to the Georgian political expert Ioseb Dzamukashvili, both South Ossetia and Abkhazia receive significant support from the Russian government, which recognized their independence in 2008 after a failed attempt by Georgia to regain control of South Ossetia through force. Approximately 60% of Abkhazia's state budget is funded by Russia, while South Ossetia, with a population of just over 50,000, exhibits an even higher level of dependency.⁹ Consequently, both territories are heavily influenced by the objectives of the Russian government, none of which involve restoring Georgian authority over the regions. The existence of illegal markets perpetuates economic instability and undermines legitimate businesses, stifling investment and hindering economic growth. This not only impacts Georgia's domestic economy but also undermines its ability to meet the stringent economic criteria set by the EU for accession.¹⁰

Caught in the Crossfire: Georgia's EU Candidacy and the Russian Foreign Agent Bill

In April 2024, the throngs of Georgian citizens, predominantly young adults, have been causing gridlock in Tbilisi, protesting against the proposed "foreign agent" law. Critics argue that this legislation, akin to authoritarian measures seen in neighboring Russia, poses a threat to freedom of expression and dissent.¹¹ In May 2024, the passing of Georgia's "foreign agents" bill has sparked widespread protests and drawn international concern. Similar to a law in Russia, the legislation requires organizations receiving over 20% of their funding from abroad to register as "agents of foreign influence" or face severe penalties.¹² Despite President Salome Zourabichvili's vow to veto the bill, the ruling Georgian Dream party, led by Prime Minister Irakli Kobakhidze, has the power to override her objection with a simple majority in parliament.¹³ The introduction of this bill marks a significant turning point for Georgian society, sparking passionate demonstrations with tens of thousands taking to the streets in Tbilisi. The proposed law has ignited fears that

⁷ See: <https://carnegieendowment.org/europe/strategic-europe/2015/03/bye-bye-abkhazia-crimea-south-ossetia?lang=en¢er=europe>

⁸ See: <https://www.washingtonpost.com/news/monkey-cage/wp/2014/03/20/how-people-in-south-ossetia-abkhazia-and-transnistria-feel-about-Appendixation-by-russia/>

⁹ See: <https://www.crisisgroup.org/europe-central-asia/caucasus/georgia/249-abkhazia-and-south-ossetia-time-talk-trade>

¹⁰ See: <https://www.amnesty.org/en/latest/press-release/2019/07/georgiarussia-post-conflict-boundary-splits-communities-leaving-thousands-in-limbo/>

¹¹ See: <https://www.bbc.com/news/world-europe-69007465>

¹² See: <https://edition.cnn.com/2024/05/13/europe/georgia-foreign-agents-law-explained-intl/index.html>

¹³ See: <https://www.politico.eu/article/georgia-foreign-agent-bill-becomes-law-international-outcry-european-union/>

it will stifle dissent and free expression, mirroring the restrictive environment created by a similar law in Russia. Many Georgians view this legislation as a pivotal moment in determining the country's future trajectory, torn between aligning with European values and succumbing to Russian influence.¹⁴

Conclusion

Currently, Georgia's ongoing struggle over the "Russian Foreign Agent Law 2.0" reflects a deep-seated conflict between its Euro-Atlantic aspirations and the influence of neighboring Russia. The proposed law, criticized for its potential to stifle freedom of expression and association, has sparked widespread protests and drawn condemnation from EU officials. Despite President Salome Zourabichvili's opposition, the ruling Georgian Dream party is pushing ahead, aligning itself with Prime Minister Irakli Kobakhidze's pragmatic stance. With Georgia's EU candidacy at stake, the upcoming October 2024 elections will likely serve as a pivotal moment. The electorate's response will not only shape the country's future political landscape but also determine its trajectory toward either closer integration with the EU or a tilt towards Russian influence.

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