



CRS Report for Congress

Georgia [Republic]: Recent Developments and U.S. Interests

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Summary

This report examines Georgia's efforts to democratize and bolster its free market economy, while surmounting separatism, Russian economic sanctions, and other problems. U.S. policy and assistance are discussed. Basic facts and biographical information are provided. This report may be updated. Related products include CRS Report RL33453, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests*, by Jim Nichol.

U.S. Policy

According to the Administration, "sustained development" is necessary in order for Georgia to serve "as the beacon of reform President Bush identified it as in 2005 (see below)" that will link Europe, Eurasia, and the Middle East. Georgia's transition to a free market democracy "will increase the appeal for residents of the separatist regions of Abkhazia and South Ossetia to reintegrate with Georgia," which will enhance regional stability. However, the peaceful resolution of these separatist conflicts is "hindered" by Russia, which also threatens Georgia's deepening Euro-Atlantic ties and its development as a transit corridor for Caspian region energy to international markets.¹



Source: Map Resources. Adapted by CRS. (08/02 M.Chin)

President Bush visited Georgia in May 2005, and praised its 2003 peaceful rose revolution for "inspiring democratic reformers" and freedom "from the Black Sea to the

¹ Department of State. *Congressional Budget Presentation for Foreign Operations, FY2008*.

Caspian and to the Persian Gulf and beyond.” He cautioned Georgians that it might take them “generations” to fully establish democracy, but praised their progress. He urged that Georgia stick to peaceful means to settle separatist conflicts. Saakashvili hailed the United States as the foremost backer of Georgia’s democratization.²

The United States has been Georgia’s largest bilateral aid donor, budgeting cumulative aid of \$1.76 billion in fiscal years 1992 through 2006 (FREEDOM Support Act and agency funds). Georgia has regularly ranked among the top world states in terms of per capita U.S. aid, indicating the high level of concern for its fate within the Administration and Congress. Estimated budgeted aid to Georgia for FY2007 was \$84.6 million (FREEDOM Support Act and agency funds). Estimated budgeted aid for FY2008 is \$64.3 million, and the Administration has requested \$67.1 million for FY2008 (both these aid amounts include FREEDOM Support Act and other foreign assistance, but do not include Defense and Energy Department funds). A newly established Millennium Challenge Corporation (MCC) announced in May 2004 that Georgia met required democratic and economic reform criteria and would be invited to apply for aid. In August 2005, the MCC approved a five-year, \$295.3 million agreement (termed a “compact”) with Georgia on building infrastructure, setting up a small business investment fund, and creating agricultural grants. As of late 2007, \$35.7 million had been disbursed by the MCC to Georgia.

Contributions to the Campaign Against Terrorism. The former President of Georgia, Eduard Shevardnadze, immediately condemned the attacks on the United States on September 11, 2001, and offered “airspace and territory” for U.S. coalition operations in Afghanistan. Georgia was among the countries in 2003 that openly pledged to support the U.S.-led Operation Iraqi Freedom. In August 2003, Georgia dispatched 69 troops to Iraq, boosted them to over 850 in March 2005 (making Georgia the second largest per capita contributor), and increased them to 2,000 by September 2007. Georgian troops serve under U.S. command. Many have provided security in the “Green zone” in Baghdad, the town of Baqubah northeast of Baghdad, and in Wasit Governorate, along the Iranian border. As of May 2008, there have been four casualties and 18 wounded. Georgia has the fourth-largest number of troops in Iraq, after the United States, the United Kingdom, and South Korea. Troop numbers soon will be reduced when Georgian forces are sent to assist NATO in Afghanistan.

Georgia: Basic Facts

Area and Population: 26,872 sq. mi., slightly larger than West Virginia. The population is 4.63 million (*The World Factbook*, mid-2008 est.). Administrative subdivisions include the Abkhazian and Ajarian Autonomous Republics.

Ethnicity: 70% are Georgian; 8% Armenian; 6% Russian; 6% Azerbaijani; 3% Ossetian; 2% Abkhazian; and others (1989 census; a 2002 census did not include breakaway Abkhazia and South Ossetia).

GDP: \$19.7 billion in 2007; per capita income is about \$4,200 (*World Factbook* est., purchasing power parity).

Political Leaders: President: Mikhail Saakashvili; Prime Minister: Lado Gurgenedze; Speaker of the Parliament: Nino Burjanadze (outgoing); Defense Minister: Davit Kezerashvili; Foreign Minister: Eka Tkeshelashvili.

Biography: Saakashvili, born in 1967, received his Master’s at Columbia Univ. and his Ph.D. at George Washington Univ. He was elected to the legislature in 1995 and 1999, where he chaired the Constitutional Committee and headed the ruling party’s faction. In 2000, he became Minister of Justice, but resigned in late 2001, accusing the government of corruption and forming the National Movement party bloc. In 2002-2003, he chaired the Tbilisi city council. He was elected president in 2004 and reelected in 2008.

² The White House. Office of the Press Secretary. *President Addresses and Thanks Citizens in Tbilisi*; and *President and President Saakashvili Discuss NATO, Democracy*, May 10, 2005.

A \$64 million Georgia Train and Equip Program (GTEP), one of several U.S. security programs in Georgia, began in 2002. U.S. troops provided training to 200 officers, some 2,000 soldiers, and a small number of Interior (police) Ministry troops and border guards. According to the U.S. Defense Department, the GTEP aimed to help Georgia “to resist pressure to allow the Russian military to pursue Chechen rebels” into Georgia, help it combat terrorists inside the country, and block those trying to infiltrate Georgia. Small arms, communications and medical gear, and uniforms were provided. The program formally ended in 2004 but a follow-on 16-month Sustainment and Stability Operations Program (SSOP) was launched in 2005, funded at \$64 million. SSOP provided training for 2,000 troops, in part to support U.S.-led coalition operations, along with advisory assistance for defense reforms and maintenance for previously supplied helicopters. In 2006, SSOP was extended another year and funded at \$30 million.

Foreign Policy and Defense

Among its neighbors, Georgia has developed close ties with Azerbaijan and maintains good relations with Armenia. Georgia has an ongoing interest in ties with about one million Georgians residing in Turkey and about 50,000 Georgians in Iran.

According to *The Military Balance* (February 2008), Georgia’s ground forces and a small navy and air force number 21,150. There are also 5,400 border guards, 1,578 national guard troops, and 6,300 Interior (police) Ministry troops. Marking the shift toward more security ties with the West, Georgia withdrew from the Commonwealth of Independent States (CIS) Collective Security Treaty in 1999. Georgia assumed full control from Russia over guarding its sea and land borders in 1999. Georgia has hosted NATO’s Partnership for Peace exercises annually since 2001. Georgia participated in NATO peacekeeping in Kosovo (150 troops; they left Kosovo in April 2008) and rebuilding efforts in Iraq. NATO signed an Individual Partnership Action Plan (IPAP) with Georgia in October 2004 to deepen cooperation and launched an “intensified dialogue” with Georgia in September 2006 on reforms necessary for possible NATO membership. A NATO Membership Action Plan (MAP) for Georgia was a matter of contention at the April 2008 NATO Summit. Although Georgia was not offered a MAP, the Alliance pledged that Georgia would eventually become a member of NATO, and stated that the issue of a MAP for Georgia would be revisited in December 2008.

In 1995, an economically and militarily weak Georgia reluctantly granted Russia the right to maintain four Soviet-era military bases there through the year 2020. After reported heavy U.S. lobbying (during multilateral talks on adapting the Conventional Armed Forces in Europe Treaty), Russia declared in late 1999 that it would close its Georgian military bases at Gudauta and Vaziani by July 1, 2001, and that Georgia and Russia would agree by the end of 2000 on the disposition of two other bases. Russia turned over the Vaziani base by the deadline. It reported in June 2002 that it had closed its Gudauta base, located in Abkhazia, but announced that 320 troops would remain there to support Russian “peacekeepers” in Abkhazia. In March 2005, Russia agreed to close its base at Akhalkalaki by the end of 2007 and the base at Batumi by mid-2008. On June 27, 2007, Russia formally handed over the Akhalkalaki base to Georgia’s control. On November 21, 2007, the Russian Foreign Ministry proclaimed that the Batumi base had been closed. Georgia maintains that the Gudauta base retains some Russian forces and equipment and has not been handed over to Georgia’s control.

Political and Economic Developments

The U.S. State Department joined others in criticizing irregularities in the wake of a November 2003 Georgian legislative election. Mainly peaceful opposition protests (termed by National Movement head Saakashvili a “revolution of roses”) led to then-President Shevardnadze’s resignation later that month. The opposition National Movement (NM) and the Burjanadze-Democrats (BD; co-headed by Nino Burjanadze) agreed to endorse Saakashvili for a presidential election on January 4, 2004, where he received 96% of 2.2 million popular votes. OSCE monitors judged the vote as bringing Georgia closer to meeting democratic electoral standards. Legislative elections were held on March 28, 2004 involving the 150 party list seats (the November 2003 winners of 75 district seats retained them, as did ten deputies elected from Abkhazia before it broke away). NM and BD ran on a joint list and captured 67.2% of 1.53 million votes, giving the bloc a majority of seats, ensuring firm legislative backing for Saakashvili’s policies. The OSCE judged the election as the most democratic since Georgia’s independence.

On November 7, 2007, police and security forces forcibly dispersed opposition demonstrators, reportedly resulting in several dozen injuries. Security forces also stormed an independent television station and shut it down. Saakashvili declared a state of emergency for 15 days. He claimed that the demonstrations had been part of a coup attempt orchestrated by Russia, and ordered three Russian diplomats to leave the country. U.S. and other international criticism may have played an important role in Saakashvili’s decision to step down as president on November 25, 2007, so that early presidential elections could be held on January 5, 2008. Georgia’s Central Electoral Commission reported on January 13, 2008, that Saakashvili had won over 53% of the vote against five candidates, and he was inaugurated on January 20, 2008. A plebiscite held at the same time endorsed holding a spring 2008 legislative election and Georgia’s aim to join NATO. In a preliminary assessment, the OSCE stated that the election broadly met its standards, but that irregularities needed to be addressed. A legislative election was held on May 21, 2008. Preliminary results indicated that NM won the largest number of seats, followed by the United Opposition coalition (a bloc uniting the National Council alliance and the New Right party).

According to the State Department’s *Country Reports on Human Rights Practices for 2007* (released March 2008), the Georgian government’s human rights record improved in some areas during 2007, but worsened in other areas, especially with the government crackdown in late 2007, and serious problems remained. There were reported cases of police torture of detainees, abuse of prisoners, excessive use of force to disperse demonstrations, impunity of police officers, continued overuse of pretrial detention, lack of access to defense attorneys, and reports of government pressure on the judiciary. The government’s record in upholding freedom of speech, the press, and assembly worsened in late 2007. Georgia took some significant steps to improve the human rights situation prior to the setbacks of late 2007. An ethics code for judges was adopted and a school was opened to train judges. Human trafficking continued to be a problem, but the government increased the budget to assist victims and opened the first shelter.

Rising bilateral tensions resulted in Russian restrictions on agricultural trade and land, air, and sea links with Georgia in 2006, but Georgia quickly moved to diversify its trade with nearby states and Western countries. Georgia’s GDP increased 12% in 2007 and consumer price inflation was 11% (*The World Factbook*). Economic growth was

boosted by increased foreign direct investment and growth in the construction, banking, and mining sectors. The World Bank in early 2008 praised Georgia's improved business climate and progress in combating corruption. A widening trade deficit and rising inflation are threats to economic growth. Georgia still has a sizeable poverty rate of about 30%. Economic activities include agriculture, mining, and a small industrial sector. Civil conflict and poverty have spurred the emigration of about one-fifth (one million) of the population since 1991. Georgia is a member of the World Trade Organization. U.S. exports to Georgia were \$266 million in 2007, over one-half of which consisted of automobiles, trucks, and meat. Georgian exports to the United States were \$188.1 million in 2007 and consisted mainly of manganese and fuel re-exports.

Georgia is a transit state for a pipeline completed in mid-2006 carrying one million barrels per day of Azerbaijani oil to the Turkish port of Ceyhan (the Baku-Tbilisi-Ceyhan or BTC pipeline). Another pipeline completed in early 2007 initially carries 2.2 billion cubic meters of Azerbaijani natural gas to Georgia and Turkey, lessening their dependence on Russia as a supplier. In late 2005, 2006, and 2007, Russia's state-owned Gazprom gas firm announced increases in the price of gas shipped to Georgia. Azerbaijan has provided some gas supplies to Georgia, easing dependence on Gazprom.

Ethnic and Regional Tensions. Several of Georgia's ethnic minorities stepped up their dissidence in the late 1980s and early 1990s, resulting in the loss of central government control over the regions of South Ossetia and Abkhazia. The Ajaria region also asserted substantial self-rule, but Saakashvili succeeded in re-establishing central control there in early 2004. A U.S. emissary (currently Deputy Assistant Secretary of State Matthew Bryza) long has worked with regional and international officials to try to resolve the conflicts.

South Ossetia. In 1989, the region lobbied for joining its territory with North Ossetia in Russia or for independence. Separatist conflict beginning in 1990 reportedly led to about 1,500 deaths. In June 1992, Russia brokered a cease-fire, and a "peacekeeping" force is stationed there, composed of Russian, Georgian, and Ossetian troops. A Joint Control Commission (JCC) composed of Russian, Georgian, and North and South Ossetian emissaries (and OSCE observers) was formed to promote peace settlement. According to some estimates, some 25,000 ethnic Ossetians and 20,000 ethnic Georgians reside in the now largely vacant region. An apparent effort by Saakashvili to militarily reclaim the region failed in 2004. In 2005, he proposed a peace plan — which received OSCE backing — that provided for substantial regional autonomy. South Ossetia rejected the plan, on the grounds that it was already independent. A South Ossetian referendum on "independence" and parallel separatist and pro-Georgian "presidential" elections in November 2006 heightened tensions. In July 2007, President Saakashvili decreed the establishment of a commission to work out South Ossetia's "status" as a part of Georgia. South Ossetia's de facto leaders rejected participation. The JCC held an inconclusive meeting in Tbilisi, Georgia, in October 2007. No further meetings had been held as of May 2008.

Abkhazia. In July 1992, Abkhazia's legislature declared the region's effective independence from Georgia, prompting a Georgian attack. In October 1992, the U.N. Security Council (UNSC) approved the first U.N. observer mission to a Eurasian state, termed UNOMIG, to help the parties reach a settlement. Russian and North Caucasian "volunteer" troops that reportedly made up the bulk of Abkhaz separatist forces routed

Georgian forces, leading in April 1994 to agreement by the two sides on a framework for a political settlement and the return of refugees. Russian troops (acting as CIS “peacekeepers”) were deployed in a security zone along the Abkhaz border with Georgia. The conflict resulted in about 10,000 deaths and over 200,000 displaced persons, mostly ethnic Georgians. A U.S. emissary works with the U.N. Secretary General, his Special Representative, and other “Friends of Georgia” (France, Germany, Russia, the United Kingdom, and Ukraine) to facilitate a peace settlement. A “New Friends of Georgia” group was formed by the Baltic states, Bulgaria, Poland, and Romania in 2005 to advocate increased EU and NATO attention to Georgia. Sticking points between Abkhazia and Georgia have included the latter’s demand that displaced persons be allowed to return to the region before an agreement on its status. Abkhazia has insisted upon effective independence as a precondition to large-scale repatriation.

In July 2006, the Georgian government ousted a warlord in the Kodori Gorge area of Abkhazia. Saakashvili directed that the Abkhaz “government-in-exile” make the Gorge its home. In October 2006, the Abkhaz side suspended all talks pending Georgia’s removal of the government representatives and alleged military forces. In October 2006, the UNSC approved a resolution that among other purposes criticized Georgia for introducing military forces into the Gorge in violation of cease-fire accords. The resolution also criticized some violations by Abkhaz forces. Since mid-2007, however, the U.N. Secretary General has stated that Georgia has appeared not to have heavy military weaponry in the Gorge.³ The Friends of Georgia hosted meetings in Germany in June 2007 and Switzerland in February 2008 that urged the sides to abide by the existing cease-fire agreement and to renew talks. The U.N. Secretary General has heavily criticized disinformation and accusations (much of which he claims comes from Georgia) that heighten distrust and the risk of conflict.

In March and April 2008, President Saakashvili proposed new peace initiatives that included international guarantees of autonomy for Abkhazia, quotas for Abkhaz representation in Georgian executive and legislative bodies, the establishment of a special economic zone in the Gali region, and more active involvement by the international community and Russia in a peace settlement. The initiatives were rejected by the de facto Abkhaz authorities.

The United States and others in the international community strongly objected in April 2008 when President Putin issued a directive for stepping up government-to-government ties with Abkhazia and South Ossetia. As a prelude to this directive, the Russian government in March 2008 had withdrawn from CIS economic sanctions on Abkhazia, permitting open Russian trade and investment. On April 23, the United States, Great Britain, France, and Germany called on Russia to revoke its directive on expanded ties with the regions. The United States and others in the international community also raised concerns when Russia announced on April 29, 2008, that the number of “peacekeepers” in Abkhazia would be boosted up to the maximum permitted under ceasefire accords. Russia claimed that the increases were necessary to protect “Russian citizens.”

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³ U.N. Secretary General. *Report of the Secretary-General on the Situation in Abkhazia*, S/2007/588, October 3, 2007; S/2008/38, January 23, 2008; and S/2008/219, April 2, 2008. He stated in his July 18, 2007 report (S/2007/439) that UNOMIG had seen what appeared to be a Georgian military truck in the upper Kodori Gorge.