



CENTRE FOR EUROPEAN REFORM

# policy brief

## Georgia and the EU: Can Europe's neighbourhood policy deliver?

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★ Georgia is an important test for Europe's neighbourhood policy. It is a country whose geography, history and culture are in many respects European. Its role as an energy transit route, its location close to Russia, and its 'frozen' conflicts give it strategic importance.

★ Georgia's current government is committed to reform and democracy, and has shown a strong desire to be part of the European club. But so far the EU's reluctance to offer the prospect of membership and its fear of upsetting Russia have prevented it from thinking strategically about Georgia. Nor has the EU used its transformative power to underpin reform in Georgia.

★ The EU could have a major impact on Georgia if it linked incentives to the reform process there. It needs to acknowledge Georgia's European identity, and keep open the prospect of eventual membership; play a meaningful role in resolving the frozen conflicts; use the 'European neighbourhood policy' to ensure that Georgia stays on a democratic track; and support Georgia's application to join NATO by encouraging the government to stick to peaceful ways of resolving the frozen conflicts.

All public buildings in downtown Tbilisi fly EU flags next to Georgian ones. The flags are a symbol of Georgia's determination to integrate itself into the West after the 'rose revolution', and a reminder of the potency of the European dream outside the European Union's borders. Georgia's bloodless coup of December 2003, which had started as a protest against the results of a rigged parliamentary election, brought to power a reform-minded government led by the 37-year old Mikheil Saakashvili. It also helped to inspire mobilisations of 'people power' in Ukraine, Lebanon and Kyrgyzstan. The demonstrators who overthrew Eduard Shevardnadze's corrupt and discredited regime wanted the West to help them free their country from Russia's shadow. They also wished to embark on a transformation similar to the one pursued by the countries of Central and Eastern Europe in the 1990s.

But Georgia's enthusiasm for Europe has not yet been reciprocated. The EU funds a number of useful projects in Georgia, but it has neither given the country much political support nor thought

strategically about its importance to the EU. While George Bush travelled across the Atlantic to bless the Georgian revolution at a rally in Tbilisi's Freedom Square, no European head of government has been to Georgia since the revolution. And Georgia's foreign minister complains that she has had trouble getting appointments with the British, French and German foreign ministers.

Part of the problem is that the EU is afraid of raising expectations of membership – particularly after the referendums in France and the Netherlands, where the votes against the constitutional treaty appear to have been in part motivated by opposition to enlargement. But in the absence of a policy of integration, European diplomacy towards neighbouring countries such as Georgia has been underwhelming. The EU has made these countries feel like poor and unwelcome relatives. It has thus extracted much less leverage from its aid to the region than it could have.

The EU should now get serious about Georgia, a country of strategic importance. The security

situation in Georgia has implications beyond the Caucasus region. The conflicts in Georgia's breakaway regions of South Ossetia and Abkhazia are said to be 'frozen', but the regular shootings, killings and kidnappings risk escalating into full-scale civil wars if they are allowed to fester. And in any case, these lawless enclaves have become international centres of smuggling, drug-trafficking, the sale of illegal weapons, and potentially even terrorism. Although the EU will not share a land border with Georgia until such time as Turkey may have joined, Bulgaria and Romania, due to join the EU in 2007 or 2008, do share a sea border with Georgia. If ethnic cleansing and aggressive nationalism returned to the region, the implications could stretch far beyond Georgia's borders.

Political instability in Georgia would have economic implications for the EU. Georgia has become an important transit-route for oil and gas from the Caspian area. On May 25<sup>th</sup> 2005, the 1,800 kilometre Baku-Tbilisi-Cehan pipeline opened, with the potential to bring a million barrels of oil a day from Azerbaijan through the Caucasus to the Mediterranean coast of Turkey. A gas pipeline is being built alongside the oil one. Although Central Asia's oil and gas reserves are not as big as those in Russia or the Middle East, they could help to decrease Europe's dependence on those potentially unstable regions.

The most important reason for the European Union to get more involved in Georgia is that it could have a profound effect at very little cost. Georgia is a backward country in a region of strategic importance with a modernising regime that is crying out for European help. Georgia represents an important test of the EU's ability to take

<sup>1</sup> *The 'European neighbourhood policy', launched in 2003, seeks to turn potentially unstable countries in the former Soviet Union, North Africa and Middle East into a "ring of friends", by making European aid and market access conditional on economic and political reforms.*

responsibility for the security of the European neighbourhood, and to develop a meaningful policy for a country that cannot yet be considered a candidate for accession. More specifically, Georgia is a test-case for the EU's new neighbourhood policy.<sup>1</sup>

### Georgia's internal politics after the revolution

Georgia's president, Mikheil Saakashvili, is a man in a hurry. He has assembled a government that is a mirror of himself: young, foreign or foreign-educated, multi-lingual, and overflowing with energy and ambition. His chief of staff is a 30-year old woman from London, his special assistant is the son of a former governor of Vermont, his foreign minister is a former French diplomat, and his new ambassador to the EU is a 29-year old former parliamentarian who was educated in the US. The wave of optimism that swept Saakashvili to power with 96 per cent of the vote has not yet subsided (after 18 months in office, he still has approval ratings that hover around 70 per cent).

Saakashvili is trying to transform his impoverished country (with a per capita income of less than \$1,000 a year) from the top down. He has launched a high-profile drive against corruption which has already had impressive results: the state budget has quadrupled since he came to power, as the government has stamped out smuggling and forced businesses to pay tax. The drive has been high on symbolism: the government has arrested former officials for corruption and collected 'voluntary' contributions of back taxes before releasing them without charges. Although western observers worry about potential abuses of the judicial process, these moves have been very popular in Georgia. Saakashvili has also abolished 90 per cent of the licensing laws, including the ones for car safety, food, and industrial standards, all of which invited corruption. Most recently, he has simplified the tax code, replacing the Byzantine complexity of the post-Soviet system with a few narrow tax bands.

Saakashvili's most eye-catching initiative has been the reform of the traffic police. When he took power, individual officers were not provided with cars or uniforms, and had to fund the lion's share of their income from fines. The result was mass corruption, arbitrary fines and a force that was feared by Georgian citizens. After six months of failed attempts at reform, Saakashvili sacked the entire force and invited them to reapply for their jobs. Only a handful of 16,000 officers were re-appointed. Those in the new force are paid \$300 a month, and given patrol cars and uniforms. Citizens have reported a dramatic fall in corruption. This new police force, whose activities have been documented in a prime-time reality TV show called 'patrol car', has become the most popular government service. However, while the campaign against graft has made impressive progress, corruption remains, inevitably, a big problem. Furthermore, one side effect of the campaign has been to create unemployment. Some say that up to 70,000 government employees have lost their jobs as a result of Saakashvili's reforms. That has apparently led to an increase in crime rates, particularly in Tbilisi.

Apart from tackling corruption, the main priority for the new government is reconstructing the country's creaking infrastructure: building roads to link Georgia's disparate regions, ending the electricity shortages which cause frequent power cuts, and giving all Georgians running water. There are grumbles from the business community that the pace of reform is too slow, but Saakashvili is dismissive of such dissent: "The people are happy but the elites are unhappy. That is what happens in a revolution which displaces a discredited elite."

Saakashvili's sky-high approval ratings and the lack of a viable domestic opposition mean that there are very few checks on presidential power. This has led to the government making mistakes, which NGOs and journalists have been quick to criticise.

Many journalists claim that television is less critical of the government than it was in the time of Shevardnadze, when the Rustavi 2 TV station reported on the demonstrations and encouraged the rose revolution. Today, most TV channels support the government. While ministers are sometimes attacked on TV, the president is almost never criticised. Every time he makes a speech or gives a press conference, most TV channels show the whole thing, live and unedited. One reason for this uncritical attitude is that the president is very popular, and most journalists remain committed to the revolution. Another is that the businessmen who own the TV stations do not want to annoy the president. Many journalists say that they are fearful of being too critical of the government, lest their careers suffer. In the words of one senior EU official: "The leadership's close relations with some of the business leaders who control the private TV channels leads to instances of self-censorship." The newspapers, on the other hand, are free, frequently launching populist attacks on Saakashvili and his government. However, newspaper circulations are small, compared with the reach of television.

The December 2004 broadcasting law has led to the transformation of the state first channel into a 'public service' broadcaster, modelled on the BBC. But there are concerns that the names chosen by parliament as the board of directors for the new broadcaster are in fact mainly allies of the government. In its latest report on Georgia, the Council of Europe observed that "the situation in the media field has been characterised by notable progress as regards elaboration of new legislation and, at the same time, continuous warnings that the pluralism of Georgian broadcasting media was diminishing".<sup>2</sup>

<sup>2</sup> Council of Europe, 'Compliance with commitments and obligations: the situation in Georgia', March 14<sup>th</sup> 2005.

Another set of problems concerns the judiciary, which NGOs accuse of corruption and political manipulation. One European diplomat with long experience of Georgia makes this observation: "Until Georgia has fundamentally reformed its judicial system and law enforcement agencies, human rights abuses will remain. Until a real independent judiciary is established and until the law enforcement agencies become accountable and no longer have a sense of impunity, the rights of the individual vis-à-vis the state will not be protected."

Plea bargaining has been introduced as a technique to tackle corruption, which in itself is a good idea. However, Georgian NGOs complain that while plea bargaining should come at the end of a proper judicial process, in Georgia it often seems to have replaced such a process. They complain that the government, in its fight against corruption, is selectively targeting individuals for political reasons, and that the law is not being applied equally to all. The government recently reduced the maximum permitted period of

pre-trial detention from nine months to four, but that is still long enough to allow plenty of scope for abuse. In its latest report, Human Rights Watch says that "torture and ill-treatment in pre-trial detention remain widespread...There were reports of several deaths in custody under suspicious circumstances, an increase from previous years."<sup>3</sup> However, Human Rights Watch also reports some positive developments since the rose revolution, such as greater tolerance of religious minorities, including Jehovah's witnesses and Baptists. And in a letter to the president in July 2005, the NGO <sup>3</sup> Human Rights Watch, 'Country summary: Georgia', January 2005. acknowledged the government's efforts to stamp out torture.

The government has used some short-term measures that risk undermining its precious reputation for openness. The most worrying was the creation of two 'special funds', one to pay the salaries of ministers and key civil servants, and the other to purchase army equipment. The original rationale for the funds was to finance public services and to cover shortfalls in the official budget passed by Georgia's parliament. The donations to the funds came from sources as diverse as the United Nations Development Programme, anonymous voluntary contributions by Georgian businessmen overseas (mainly oligarchs living in Russia), and money extracted from corrupt former officials and businessmen. However, because the funds are spent without proper parliamentary oversight they have been roundly criticised. The Georgian government promises to close these funds in the autumn of 2005, and to make public all of their expenditure – but their very existence has already damaged the government's credibility.

There is no doubt that Saakashvili and his colleagues remain committed democrats. However, they need to deal with these anomalies quickly, lest the reputation of the rose revolution be tarnished. Both the EU and the US can do a lot to help – both through technical assistance and by gently encouraging Saakashvili to put some checks on his free-wheeling style.

### The frozen conflicts and relations with Russia

The biggest challenge for Saakashvili's government is how to manage relations with Georgia's northern neighbour, Russia.

Despite the collapse of the Soviet Union in 1991, many people in Moscow still see Georgia as an outpost of the Russian empire. The Russian government is reluctant to cede control over Georgia's politics and external orientation. Using a mix of hard power (troop deployments, military bases and threats of armed force) and soft power (cheap energy, citizenship policies, subsidies and cultural diplomacy) the Kremlin has tried to keep Georgia in its orbit.

Saakashvili, on the other hand, is determined that Georgia should break free. He sees himself in the mould of a 'father of the nation'. He has committed

himself to end the presence of Russian troops on Georgian soil, regain control of the country's borders, and re-integrate the secessionist regions into Georgia proper. In a private conversation he told one of the authors that his political role models are Kemal Ataturk, David Ben-Gurion and Charles de Gaulle: all nationalist leaders who fought against foreign interference. Saakashvili has irked the Kremlin by his blunt criticism of Russian policies – branded megaphone diplomacy by some critical western commentators – and his overt calls for the people to overthrow pro-Russian regimes in countries such as Belarus.

Russia's military presence in Georgia is at the top of Saakashvili's agenda. After the break-up of the Soviet Union, the Russian armed forces inherited 1,600 bases and military facilities in Georgia. Moscow withdrew from most of these bases in the 1990s but stalled on the removal of the final two bases in Batumi, in the secessionist region of Ajara, and Akhalkalaki near the Armenian border. The bases themselves are of questionable value. They house only 3,000 troops, mostly made up of local recruits, plus 150 tanks, 240 armoured personnel carriers and some 140 artillery pieces. But the equipment is old and verging on obsolescence in some cases. The Russian government has been pugnacious and difficult in discussing the closure of these last bases, arguing that it would take eleven years to dismantle them, and cost \$500 million.

However, Russia appears to have shifted its stance. In March 2005, the Georgian parliament declared that if an agreement on withdrawal from the bases was not reached by the end of the year, their water and electricity supplies would be cut; and that personnel due to arrive at the bases would be denied visas. In May Sergei Lavrov, the Russian foreign minister, signed an agreement with Salome Zurbashvili, his Georgian counterpart, promising to complete withdrawal by 2008. Georgia's aggressive approach is unlikely to have been decisive, since these threats have been made before and brushed aside. But the Kremlin does appear to have reconsidered the value of the bases as a vehicle for Russian influence in the region: they are of little military value; they leave Moscow open to periodic threats from Georgia over water and electricity supplies; and they act as an irritant in relations with the US.

One of the reasons that Russia has used to justify its military presence in Georgia is terrorism. The Russians had a point. For many years Chechen terrorists moved freely between Chechnya and Georgia. During the two years prior to September 11<sup>th</sup>, Russia accused Georgia of harbouring Chechen war lords in its north-eastern Pankisi Gorge, an area with a Muslim population that is closely related to the Chechens. The Shevardnadze government initially denied this. But when it became apparent that there were several hundred Chechen fighters in the gorge, Russia threatened to take action to remove them. This encouraged the Georgian government, with American

assistance, to organise a crackdown. America's 'Georgia train and equip programme' (GTEP) provided \$64 million of military assistance to Georgia's conscript army in 2002. The operation was so successful that Irakli Alasania, the youthful former head of the Georgian intelligence services who ran it, became known as the 'lion of Pankisi'.

The other factor that helped ease tensions was the OSCE's border monitoring operation (BMO) along Georgia's border with Chechnya and Dagestan. The OSCE was able to act as an independent arbiter of the claims and counter-claims made by the Russians and Georgians about traffic across the border. However, Russia did not appreciate this external involvement. It used its veto power at an OSCE meeting in December 2004 to end the mandate for the BMO. When the Georgian government invited an EU mission to replace the BMO, the EU responded by sending a mere three officials (with a promise to provide ten more border guard 'mentors' later in 2005). The Georgians claim, with some justification, that this contingent is too small to make any difference: the Europeans are neither able to monitor the long mountainous borders, nor willing to train and equip the Georgians to do it themselves.

The main way that Russia has sought to maintain its influence over Georgia has been by manipulating the so-called frozen conflicts in Abkhazia and South Ossetia. Both regions were the site of bloody civil wars in the early 1990s, when they declared independence from Georgia. They are called frozen because there has only been low-level fighting since cease fires were agreed for South Ossetia in 1992 and Abkhazia in 1994.

### **Abkhazia and South Ossetia**

South Ossetia is a tiny enclave 45 minutes from Georgia's capital Tbilisi, with a population of less than 60,000 (two-thirds Ossetian and one-third Georgian). The Georgian and Ossetian villages are intermingled in a way that recalls Bosnia before its civil war. Historically, the Russians have treated the Christian Ossetians as their best friends in the Caucasus, and have seen South Ossetia as strategically important because it straddles the trans-Caucasus highway, the road linking the North and South Caucasus.

Abkhazia is more like a mini-state, with a population of over 300,000 and a long history of autonomy. Lying on the north-east coast of the Black Sea, with lush, fertile river valleys and beautiful beaches, in Soviet times it was a touristic Riviera. In spite of their claim for independence, the ethnic Abkhaz make up less than a third of the population of Abkhazia – they are outnumbered both by Georgians (those who have returned since the war) and Armenians. Ethnic cleansing has created clearly segregated territories, with the Abkhaz settled across the north and west of Abkhazia, while the Georgians live in the Gali region that borders on the Georgian province of Megrelia.

One legacy of the fighting is the large number of internally displaced people who left Ossetia and Abkhazia and never returned to their homes. During the South Ossetian war, almost 60,000 ethnic Ossetians living across Georgia were forcefully expelled from their homes by Georgians. About 10,000 Georgians have not returned to their homes in South Ossetia. In Abkhazia the situation is even worse: there are still over 200,000 Georgian refugees from Abkhazia displaced around Georgia.

In both conflicts, the Georgian government invited in CIS peacekeepers to stop the fighting. But while the Russian troops have prevented a resumption of bloodshed, they have done little to encourage a permanent settlement. Although there is a small UN mission in Abkhazia and an OSCE one in South Ossetia, they exist simply to monitor the Russian peacekeepers, and in practice add further legitimacy to Russia's de facto control of the areas. Russia has installed puppet governments in both regions, offered them financial assistance, given citizenship to their residents and taken on the burden of paying their pensions. Both governments are propped up by Russian aid and energy supplies, as well as the proceeds of organised crime.

Russia's involvement has added to the sense of alienation between the breakaway regions and Georgia proper. Because the local populations have now lived without contact with Georgia for over a decade, the younger generation does not speak Georgian, associate itself with Georgia, watch Georgian television or even carry Georgian passports. Because of its geographic location, Ossetia has had more links with Georgia. However, after Saakashvili imposed a blockade and started military operations against South Ossetians last year, much of the economic contact ceased. As a result, the South Ossetian economy, which used to prosper on trade with Georgia proper, is now utterly dependent on aid from Russia.

Abkhazia is even more isolated. The capital Sukhumi has barely changed since the fighting stopped: burnt-out buildings remain empty and unrepared, the tourist industry which used to welcome six million people a year has been almost wiped out, and there is chronic unemployment. The only investment in the region comes from Russian entrepreneurs, buying property and restoring it for Russian tourists. Even though the 350,000 Russians that travelled to Abkhazia in 2004 represent only 5 per cent of the pre-war numbers, they do represent some hope for Abkhaz citizens. Because Abkhazians do not receive Georgian television, read Georgian newspapers, or travel to Georgia, they have become increasingly estranged from the country.

The relationship between the breakaway regimes and Tbilisi has not been improved by Saakashvili's muscular attempts to resolve the conflicts. In May 2004, in the smaller Russian-backed secessionist

region of Ajara, Saakashvili mobilised his forces and successfully dislodged a corrupt dictatorship. This inspired him to try a more assertive approach towards South Ossetia and Abkhazia.

In South Ossetia, Saakashvili used the 'war on corruption' to try to cut off the government's funding base. He established 'financial police' checkpoints on the Georgian border to stem contraband activity; closed the informal Ergneti market on the Georgian side of the border, where many Ossetians sold their wares without paying taxes; and sent thousands of troops into the area to clean out rebel forces by shelling Ossetian villages. To compensate ordinary Ossetians, the Tbilisi government handed out free fertilisers, pensions and medical assistance. But these moves simply exacerbated tensions: Russia responded by allowing truckfuls of military equipment and armed 'volunteers' to cross into South Ossetia and defend the local population. After strong pressure from the US, Saakashvili withdrew his troops, which had suffered dozens of casualties.

In Abkhazia, Saakashvili tried to isolate and contain the government by imposing customs checks on any boat seeking to enter Sukhumi. He threatened to fire at vessels which refused to allow searches by the Georgian police. The ministry of defence has also organised military exercises near the border, and has plans to build a military base close to Abkhazia. These actions have simply increased the siege mentality of the ultra-nationalist Abkhaz government. It has used the threat of Georgian attacks, and the fact that the population knows very little about Georgia, to consolidate its power. Meanwhile, Moscow has maintained its efforts to control the region. At first it demanded a re-run of the 2004 Abkhaz elections when its favoured candidate lost – despite the fact that the winner, Sergey Bagapsh, was pro-Russian. Then it wanted Bagapsh to run on a joint ticket with his defeated opponent, Paul Khajimba, which he duly did.

### **Saakashvili goes for *détente***

This tough approach has overshadowed other moves that Saakashvili has made towards *détente* with the breakaway governments of Ossetia and Abkhazia, and Russia itself. Rather than denouncing Moscow's policy of granting citizenship to residents of the two regions, he legalised dual citizenship, accepting it as a *fait accompli*. He made a very bold public shift on the status of the territories, declaring that the abolition of South Ossetian autonomy – which had provoked the initial war – had been a 'mistake', and offering greater autonomy. He also broke a Georgian nationalist taboo by restoring the name 'South Ossetia' to official usage. And he promised to help refugees of Ossetian origin who had fled Georgia. These measures became part of a bold peace plan which Saakashvili presented to the Council of Europe in January 2005. This plan included promises of an autonomous government and parliament; representation in Tbilisi; funds for

economic and cultural development; co-operation agreements with Russian regions; a joint police force; and joint commissions on the history of the Ossetian conflict. The plan asked the EU to become guarantor of the peace, with supporting roles for the US and Russia. So far the plan has had little impact. The South Ossetian government has rejected it, while the EU and US (neither of which the Georgians consulted before launching the plan) have done little more than welcome it in principle.

On Abkhazia, Saakashvili has also opened the way for a new approach by disbanding two Georgian paramilitary forces; launching a process to grant permanent homes to refugees from the conflict; and ordering a new census of Abkhazia to stop Georgian nationalists from inflating the numbers of Georgians in the province. Most importantly, Saakashvili has sacked the leaders of the corrupt and belligerent Abkhaz government in exile. He has now placed that government under the control of his close ally Irakli Alasania, with a mandate to develop a new policy based on engagement. He hopes that Alasania's tough reputation will give him enough credibility with Georgian nationalists to convince them to make the necessary concessions. Alasania says that his challenge is to win the trust of the Abkhazians. He plans to open up Abkhazia by increasing personal contacts between Georgians and Abkhazians, broadcasting Georgian television into the breakway region, and exploring the possibility of re-opening the railroad between the two countries.

The fact that Saakashvili's government seems to have replaced its containment policies in Ossetia and Abkhazia with an attempt at *détente* creates a real opportunity for progress. Georgia's willingness to compromise has put matters back in the court of Europe and the US – and indeed Russia. Western governments should use what influence they have with Russia to win its support for a deal – while continuing to tell Tbilisi that they will only support attempts to resolve the conflicts that are peaceful. But this will require a level of strategic engagement that has so far not been forthcoming.

These two frozen conflicts will not be resolved until Russia adopts a new approach to its near abroad. Kremlin officials need to decide if they want to be on friendly terms with countries such as Ukraine, Georgia and Moldova, in which case they will have to be accommodating on problems such as South Ossetia, Abkhazia and Transdnestria, or whether they prefer to use such problems as means of extending their sphere of influence. There are some tentative signs that key officials are starting to take the former approach, such as the decision to pull out of the military bases in Georgia. Some Russian officials now talk of the South Caucasus, Moldova and Ukraine, though not Belarus, as being beyond Russia's sphere of influence. Encouragingly, at the May 2005 EU summit, Russia ceded for the first

time the principle that it would talk to the EU about the security of their common neighbourhood. The EU should make a priority of working with Russia to broker settlements for both regions.

### The EU neighbourhood policy

The US deserves credit for thinking strategically about the Caucasus. It has a clear set of objectives, which it has backed up through targeted aid. Even before the rose revolution, Washington gave Georgia political, financial and military support and used this to encourage Tbilisi to pursue sensible policies on the frozen conflicts.

Although the EU spends roughly the same amount of money on Georgia as the United States (about \$100 million a year), it does not think strategically about the Caucasus. The Commission, the Council and the member-states support a wide range of projects, some of which do a lot of good, but the approach is scatter-gun and piecemeal, not strategic. The EU needs to try to define its objectives in a more focused way, and then work out which projects would fulfil them.

To be fair to the European Commission, it is making efforts to do this. The latest country strategy paper for Georgia sets out three priorities for EU aid: 1) promoting the rule of law, good governance and respect for human rights and democratic institutions; 2) reducing poverty; and 3) enhancing stability and security through measures that could help to settle the frozen conflicts. But the Georgians have not yet seen much prioritisation or strategic focus. And so far the Georgian government has not tried to link its domestic reforms to the requirements of the European Union. Such linkage would allow the EU to become an external anchor for the reform process, as it was in Central and Eastern Europe.

The EU concluded a partnership and co-operation agreement (PCA) with Georgia in 1996, which entered into force in 1999 and remains the legal basis for Georgia-EU relations. The PCA provides for wide-ranging co-operation in a host of areas, eliminates trade quotas, and allows Georgia to benefit from the EU's 'general system of preferences' for trade with poor countries. The PCA set up various joint institutions, such as the 'co-operation council', the 'parliamentary co-operation committee', and the 'sub-committee on trade, economic and related legal affairs', all of which meet regularly.

Since July 2003 the EU has also had its own special representative for the South Caucasus, Heikki Talveli. His job is to encourage conflict resolution in the region, by aiding political and economic reform, and by promoting closer co-operation between the EU and the South Caucasus states. Eight months after the rose revolution, in June 2004, the EU decided that it would extend its new neighbourhood policy to Georgia, Armenia and Azerbaijan. This means that Georgia and the EU will draw up an

action plan, setting out a series of objectives for the Georgia-EU relationship; Georgia will promise to make various reforms; and the EU will promise various sorts of aid. Work on the action plan began in July 2005.

EU assistance to Georgia from 1992 to 2004 amounted to about €420 million. In June 2004, the Commission pledged that it would double its annual assistance for Georgia in the period 2004 to 2006, to €137 million (these figures do not include aid from the member-states). European aid includes TACIS technical assistance, humanitarian assistance, money from the food security programme, and financial aid for balance of payments and budgetary support. The 'European initiative for democracy and human rights' has funded various civil society projects and judicial reform. Several million euros have also been set aside to help build up the economies of South Ossetia and Abkhazia, as part of a new approach to conflict resolution that encourages the Georgian, Abkhaz and South Ossetian populations to take part in joint political and economic projects.

When Russia vetoed the continuation of the OSCE's border monitoring operation, the Council of Ministers dispatched three border guard 'mentors', to help the Georgian border guards. Under the European security and defence policy, the Council also sent ten legal experts whose task is to help improve the Georgian legal system (including the supreme court, the prosecutor's office, and the ministry of justice).

Some EU projects have undoubtedly been useful. However, the Georgian government is critical of the way the EU has spent some of its money, for example on advice by western consultants rather than investment in concrete projects. Giorgi Baramidze, the state secretary for European integration, wants the EU's new action plan on Georgia to focus on concrete deliverables that will show that the EU is making a difference, such as roads, prisons, border guards, power stations, railways and new energy pipelines. He wants the action plan to be more focused than the wide-ranging plan that the EU has agreed with Ukraine.

Under the EU's neighbourhood policy, the new 'European neighbourhood partnership instrument' will provide funds for Georgia from 2007. This source of money will be more flexible than TACIS, and allow money to be spent on anything the EU considers useful, including infrastructure projects.

Foreign Minister Zurabashvili says that free movement of people must be a priority in relations with the EU – "we are not yet ready for the other three freedoms [goods, services and capital]". Georgia currently finds it hard to get its students and migrant workers into the EU. She admits, however, that the government has been slow at working on a readmission agreement, which would oblige Georgia to take back people who have entered the EU illegally

from its territory. A readmission agreement would make it easier for the EU to soften its visa rules.

More broadly, Zurabashvili wants the EU to play a larger and more strategic role in the security of the Caucasus. It could promote new energy pipelines to run from Central Asia, through the South Caucasus and under the Black Sea before heading on to Europe. It could build railways from Georgia to Turkey. And it could monitor borders throughout the region, helping to build confidence between the various actors. She is right to say that border management should be a priority of the action plan. Good border management would make the frozen conflicts easier to deal with.

In public, the Georgian government talks about EU membership as if it was just a few years away. But senior ministers understand that in practice it is a long way off. They take the line, very sensibly, that what matters is the process of moving towards and getting ready for EU membership. What also matters for them is that Georgia is recognised as European and therefore eligible for membership.

### **NATO as a stepping stone**

In the 1990s, when it became clear that the EU accession process for Central and Eastern Europe would take many years, NATO took on a new lease of life and *raison d'être*. The alliance which was invented to contain the former Soviet Union was re-invented as a tool for integrating former communist states into the West. Because the requirements for NATO membership are much less stringent than those for joining the EU, countries such as Poland, Hungary and the Czech Republic – entering NATO in 1999 – used the alliance as a useful stepping stone on the route to EU accession. Given that EU membership is not on the cards in the near future for Georgia (or Ukraine for that matter), NATO could play a crucial role in anchoring these countries in the West, protecting them from any tendencies Russia may have to interfere.

The government in Tbilisi has set its sights on receiving a NATO 'membership action plan' next year, and on joining by 2009. That is probably plausible, but there are two major challenges.

First, the frozen conflicts: NATO members are understandably reluctant to extend their collective security guarantee to a country that could find itself in a civil war against Russian proxies. However, NATO countries are stuck in a catch-22 situation. On the one hand, if they allow Georgia to join without solving the conflicts it would have no incentive to be reasonable in its negotiations with the breakaway republics (the European Union has already had this experience with Cyprus). On the other hand, if NATO were to insist that the conflicts must be resolved before Georgia can join, Moscow would gain a de facto veto on Georgia's accession, and the rebel factions would have little incentive to cut a deal with Tbilisi. NATO therefore

needs to take a very subtle approach: telling the Georgian government that it will not be allowed to join unless it can demonstrate that it has made every conceivable effort to settle the conflicts, and that it is eschewing military means; and signalling to the Russians that unco-operative behaviour from the leadership of the breakaway republics would boost Georgia's chances of entering NATO.

But the most immediate challenge is for the Georgian government. The defence ministry needs to do more to show NATO that it is serious about aspiring to membership. So far, it has failed to produce a strategic defence review within the timescale that it promised. Such a review would make Georgia adopt NATO-style planning, and force it to reform its armed forces more speedily. NATO has also criticised Georgia for a lack of transparency on arms purchases. The defence budget is not transparent, with some purchases allegedly financed by slush-funds. So long as Georgia makes serious efforts to comply with NATO's demands, membership could be on the cards before the end of the decade. Neither France nor Germany has ever stated that it would oppose Georgian membership of NATO.

### Conclusion

Georgia is an important test for Europe's neighbourhood policy. It is a country whose geography, history and culture are in many respects European. Its role as an energy transit route, its location close to Russia, and its frozen conflicts give it strategic importance. Georgia now has a government that is committed to reform and democracy, and has shown a strong desire to be part of the European club.

But so far the European Union's response to the rose revolution has been unimpressive. The EU's reluctance to offer membership is understandable, given the stresses and strains of its recent accession round, popular hostility to further enlargement, and the underdeveloped nature of Georgia's economy and society. However, that reluctance, combined with the Union's fear of upsetting Russia, have prevented it from thinking strategically about Georgia or using its transformative power to underpin reform there.

The Georgian government still has to prove that it is willing to do the hard work that Central European governments did to get into the European Union. Putting EU flags on buildings is less important than implementing genuine economic reforms, creating a culture of the rule of law and media pluralism, abandoning plans for military solutions to any of the conflicts, and normalising relations with Russia.

But if Georgia delivers, the EU must be ready to engage more fully. Without much effort, and at little

cost, the European Union could have a major impact on Georgia, and in doing so continue the process of turning the European continent into a zone of peace, prosperity and democracy. In concrete terms, the EU should adopt a five-pronged strategy. It needs to:

- ★ Acknowledge Georgia's European identity, and keep open the prospect of membership – of some form – in the long term. Such a 'European dream' would help to reinforce the reform process in Georgia.

- ★ Play a meaningful role in resolving the frozen conflicts by supporting the peace plans; putting pressure on Russia to encourage its proxies to negotiate constructively; establishing border control missions for South Ossetia, Abkhazia and the Chechen border under the European security and defence policy; and supporting infrastructure projects, such as railways, that could normalise relations between the breakaway regions and Georgia proper.

- ★ Use the European neighbourhood policy to ensure that Georgia stays on a democratic track. This means placing more emphasis on 'rule of law' projects with the police, judiciary and civil service. It also means maintaining political pressure on Saakashvili to deal seriously with issues such as the special funds, media freedom and the criminal justice system.

- ★ Support Georgia's application to join NATO by encouraging the government to stick to peaceful ways of resolving the frozen conflicts. The EU should also urge Georgia to fulfil its promises to NATO and thus speed up progress towards a membership action plan.

- ★ Help the Georgian economy by offering the country the prospect of a customs union with the EU, whilst easing the visa regimes for Georgian students and agricultural workers.

The European Union has drawn strength from its ability to link the provision of economic benefits with the reform process in countries that aspire to adopt western standards of governance and economic management. Georgia is a country that could benefit enormously from this kind of EU engagement, and Europe in turn would benefit from Georgia's transformation.

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