

Georgia: European engagement in an unstable environment

SUMMARY

Georgia is one of the European Union's advanced partners in the Eastern Partnership region. Following the Rose Revolution of 2003, the Georgian government implemented radical reforms to promote democratisation, step up the fight against corruption and liberalise the economy. However, the government's top-down approach, the 2008 war with Russia and the global economic crisis of 2009 propelled the opposition coalition, Georgian Dream, to electoral victory in 2012 and once again in 2016. The fact that, once ousted from power, the ruling party – United National Movement – did not disband but went into opposition is exceptional in the context of the Eastern Partnership countries and a sign of democratic consolidation. Since 2012, Georgian Dream has largely adhered to its policy of seeking closer links with the EU and carrying out reforms, albeit at a slower pace. Nevertheless, the government has been criticised for politicising the judiciary, especially when dealing with the opposition.

Since the war between them in 2008, Georgia and Russia have had few contacts with each other at international level; nevertheless, the situation has improved in economic terms, not least because of the Georgian Dream coalition's pragmatic orientation towards Russia. However, the latter still supports the two separatist regions of Abkhazia and South Ossetia and there is no improvement in this regard. In 2014, Georgia and the EU signed an association agreement, and Georgians are expected to soon be able to travel visa-free to the EU.



Tbilisi, Georgia.

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Political situation: stabilisation of the political landscape

Peaceful transition after the Rose Revolution

Following the [Rose Revolution](#) of 2003, Georgian political life grew very lively, but also more and more in line with what characterises an advanced democracy: respect for human rights, empowerment of political parties and freedom of the press. While numerous [reforms](#) were implemented in the field of economic liberalisation, democratic accountability and modernisation, President Mikheil Saakashvili's United National Movement privileged a top-down approach to the reform process and efficiency over public ownership. [According](#) to EU Special Adviser on Constitutional and Legal Reform and Human Rights in Georgia, Thomas Hammarberg, the control exercised by the ruling party, United National Movement (UNM), over the central and local government and the parliament, tended to blur the distinction between party and State, and triggered accusations of corruption. In [2007](#), huge anti-government rallies led to the declaration of a state of emergency by the government, which later drew international criticism about the authoritarian way in which it had handled the situation. In [2012](#), an opposition party, Georgian Dream, won the parliamentary elections. Its founder, Bidzina Ivanishvili, became prime minister and the following year his coalition won the presidential elections as well, with Giorgi Margvelashvili replacing Mikheil Saakashvili.

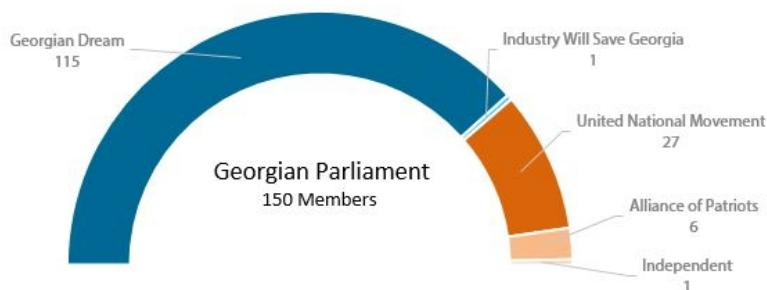
The Rose Revolution

During the presidential elections of 2003, international observation missions such as the OSCE/ODIHR [denounced](#) the instances of electoral fraud they had witnessed. Following a massive public demonstration, incumbent President Eduard Shevardnadze stepped down and his seat was taken by opposition leader, Mikheil Saakashvili.

Continuity under Georgian Dream

Contrary to some expectations based on Bidzina Ivanishvili's business [links](#) with Russia, his government did not fundamentally alter the European–Atlantic course of its predecessor. Even after Ivanishvili stepped down from his post following the 2013 presidential elections and was replaced by Irakli Garibashvili, no dramatic change occurred in the country's general pro-Western orientation. Following the general elections of [October 2016](#), Georgian Dream secured itself a [constitutional majority](#) (115 out of 150 seats, Figure 1), while the United National Movement only got 27 seats. The new government plans to [amend](#) the constitution in order to limit the president's power and have him elected by the parliament.

Figure 1 – Composition of the Georgian Parliament elected in 2016 (the majority and allies are shown in blue and the opposition in orange).



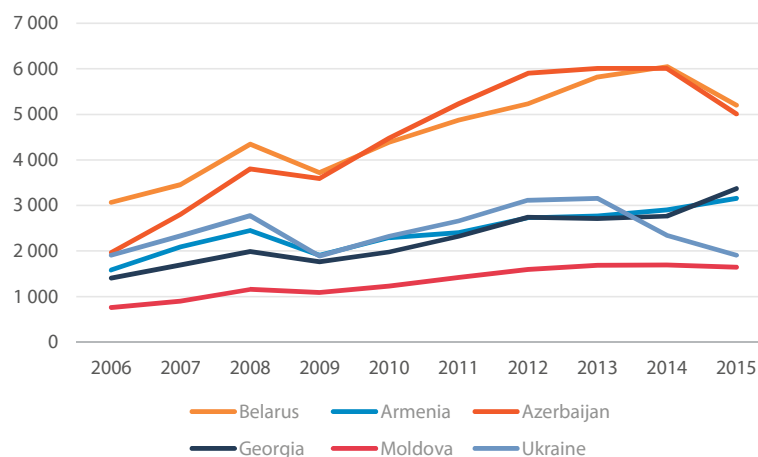
Data source: Georgian Parliament, [2016](#).

Deepened democracy and the state of the opposition

The transition to a mature democracy involves, among other things, shifting away from the procedural aspect of institutions and focusing on their democratic habitus instead, and avoiding the overuse of powers. Georgia started this transition in 2012, when, following the elections, the Mikheil Saakashvili-led ruling UNM acknowledged its defeat to Georgian Dream and remained on the political scene as an opposition party, for the first time in the history of the Eastern Neighbourhood. This smooth transition was [praised](#) by the European Parliament as an example for the region.

Even though Georgian Dream maintained its predecessor's commitment to reforms and its pro-Western course, it nevertheless accused the UNM of crimes, and put a number of former key government officials in [prison](#). Exiled to Ukraine and [deprived](#) of his Georgian citizenship, former President Saakashvili cannot return to the country for fear of arrest. Politicisation of the judicial system has been pointed out by the EU as one

Figure 2 – GDP per capita in the Eastern Neighbourhood countries, 2006-2015



Data source: [Eurostat](#), 2016.

of the main challenges to be addressed by the government. Concerns about the independence of the media have also been [raised](#) over the attempts of the ruling party to take control of the Rustavi2 opposition TV channel. In other fields, Georgian Dream has continued enacting the reforms launched by the UNM, albeit at a lower speed. For instance, it created a Constitutional State Commission and increased the powers of the parliament. The ruling party also introduced [reforms](#) in sectors that Saakashvili had been criticised for not handling satisfactorily (internal affairs, healthcare). During the first Georgian Dream term, media freedom improved (the country rose from 94th position in 2004 to 64th in 2016 in the Reporters Without Borders [Index](#)), non-governmental organisations obtained greater freedom and police violence decreased. Moreover, the European Commission's [2015](#) report on the implementation of the European Neighbourhood policy in Georgia noted that the process of nominating judges had improved, constitutional reform had made progress and there had been some welcome changes regarding the Prosecutor's Office. The maximum length of administrative detention was reduced from 90 to 15 days and there were fewer complaints by Georgian citizens registered by the European Court of Human Rights. Nevertheless, the EU has been [critical](#) on the issue of respect for the rights of the political opposition in the country.

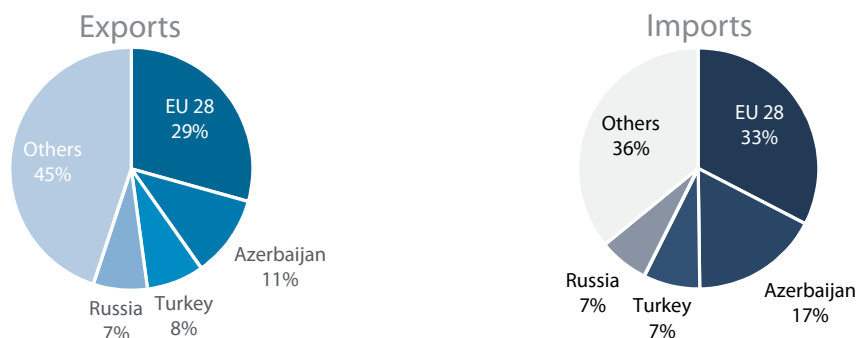
A very open economy

2003–2012: a period of liberalisation

Following the Rose Revolution, the Georgian government developed a broad programme of reforms. In fact, after the completion of what was a comprehensive liberalisation programme, Georgia's post-Soviet economy moved on to become one of the world's most liberal economies, boasting lower taxes and more effective tax collection, deregulation, investment-oriented reforms and privatisation. For example, in the World

Bank's Ease of Doing Business Index, Georgia ranked 100th out of 155 in [2006](#) and 16th in [2017](#). In the same ranking, Armenia ranks 38th in 2017 and Azerbaijan 65th). Georgia's per capita GDP rose steadily between 2006 and 2015, (as shown in Figure 2), moving from fifth to third position in less than 10 years.

Figure 3 – Georgia's main economic partners in 2015

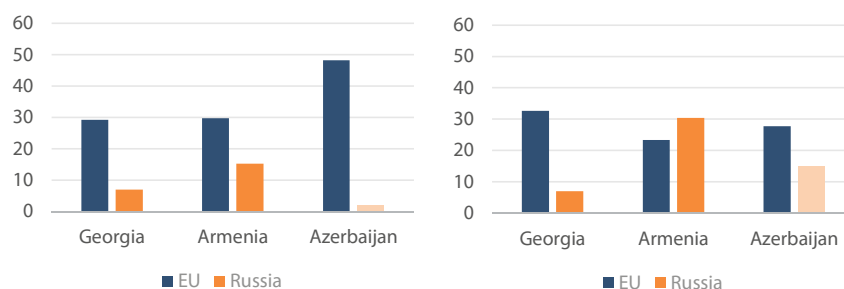


Data source: [World Trade Organization](#), 2016

Georgia is a very [rare](#) case of early (2006) and almost total liberalisation of international trade with the Commonwealth of Independent States (CIS), Turkey and the EU. Today, 84 % of Georgian goods are free of custom duties and the country applies one of the world's lowest World Trade Organization (WTO) most-favoured nation tariff rates, of around 1.5 %. This liberal turn, undertaken by President Saakashvili's administration, enabled solid growth of imports and foreign direct investments. At present, Georgia is negotiating a free trade agreement with China, which may allow it to become a base for Chinese investments in the EU market. Georgian Dream partially continued its predecessor's liberal fiscal policies embedded in the [Economic Liberty Act](#) of 2011. Conceived as an initiative under President Saakashvili in 2009, this act requires that tax increases (other than for excise duties) be approved by a referendum. It furthermore aligns Georgian economic parameters to the Maastricht criteria, capping the budget deficit at 3 % and public debt at 60 %.

WTO [data](#) show that the EU is Georgia's main trading partner, accounting for 29.3 % of the country's exports and 32.6 % of its imports in 2015 (see Figure 3). This trend sets Georgia apart from other South Caucasus countries, for which Russia is also an important trade partner (see Figure 4). This is especially true for Armenia, which is a member of the Russia-founded Eurasian Economic Union.

Figure 4 – EU and Russian percentage share in Georgian, Armenian and Azerbaijani exports (left) and imports (right) in 2015



Data source: [World Bank](#) (2016) for Georgia and Armenia in 2015; [MIT](#) (2015) for Azerbaijan in 2014.

Since 2012: fewer reforms and greater attention to social needs

After its 2012 victory, Georgian Dream [declared](#) it would focus more on those in need. Indeed, even though the reforms of the Saakashvili era brought impressive economic [growth](#) (11 % in 2003, 12 % in 2007, 7.2 % in 2011), not all Georgians benefited from them. The country was hit especially hard by the consequences of the 2008 Russia- Georgia war and the 2009 international financial crisis. [Unemployment](#), even though lower than in 2005, when it stood at 13.8 %, remained high during the period: 12 % in 2015 (compared to 8.5 % in the [EU-28](#) in 2016), despite [emigration](#) remaining high (4.9 million people in 1993; 3.6 million in 2015). Georgian authorities [admit](#) that there is a shortage of quality data in this field and even though the year-to-year variation of net [flows](#) is substantial,¹ emigration remains a [concern](#). While Russia tops the list of emigration destinations, many Georgians are eager to travel to and settle in the EU. In 2014 alone, EU embassies in Georgia [granted](#) a total of 87 000, mostly single-entry, visas to Georgian citizens. Later in 2017, the EU is set to grant Georgia a visa-free regime.

Over the last [couple of years](#), the Georgian government has boosted social spending drastically in a bid to shift its focus away from international issues and relations with Russia to the needs of citizens. As a result, the national debt has gone up, due to the government's inability to collect extra amounts of tax under the Economic Liberty Act. However, its continual efforts to fight corruption in the economic sector have contributed to an improved perception of the situation, duly reflected in the Transparency International Corruption Perception [Index](#) for 2015, where Georgia ranked 48th, compared to 124th in 2003. One key reform in this field has been the introduction of an e-procurement system, praised by the [World Bank](#) and the [European Parliament](#).

Key events in Georgia's recent history

- 1991: independence from the Soviet Union
- 1995: Shevardnadze wins presidential elections
- 2000: Shevardnadze re-elected as president
- 2003: Rose revolution. United National Movement wins parliamentary elections
- 2004: Saakashvili elected president
- 2008: Saakashvili re-elected president
- 2008: Russia-Georgia war
- 2012: Georgian Dream wins parliamentary elections
- 2013: Margvelashvili elected as president
- 2014: signing of association agreement with the EU
- 2016: Georgian Dream wins parliamentary elections

Frozen conflicts at the centre of the internal/international dilemma

Following Georgia's independence in 1991, two regions in its territory – Abkhazia and South Ossetia, which enjoyed autonomy under the Soviet constitution – [cast off](#) Tbilisi's control through a series of bloody clashes. CIS peacekeepers patrolled their borders from the mid-1990s until the war in 2008. In August 2008, the Georgian government tried to regain control over them, prompting Russia to intervene. However, effective diplomacy on the part of the EU helped end the conflict, and led to the signing of a ceasefire in August 2008. Since then, the Russian government has [recognised](#) the independence of the two breakaway regions and installed military bases there.

Georgian Dream and Russia

After 2012, Georgian Dream tried to improve both its relationship with Russia and the two regions. It adopted a less confrontational rhetoric and business relations, including a direct flight between the two countries, resumed. On the political level, after severing direct diplomatic ties in 2008, Georgia and Russia have not restored them, and the

Geneva process has produced [limited](#) results. Despite opposition claims that Georgian Dream would lean toward Russia, the government has kept an explicit Western and European orientation, leading to the signing of an [association agreement](#) and a deep and comprehensive free trade area (DCFTA) with the EU in 2014. A majority of respondents in a [poll](#) from spring 2016 expressed support for this policy, and for their country's NATO (68%) and EU membership (77 %).

Map 1: Conflicts in the Southern Caucasus



Source: EPRS, 2016.

EU-Georgia: a model of advanced relations

In June 2014, the EU and Georgia signed an [association agreement](#), which entered fully into force two years later. This agreement, which includes a DCFTA, forms the basis of the EU-Georgia relationship. On 18 July 2014, Georgia signed a [memorandum of understanding](#) with the head of the EU delegation and the heads of the EU Member State embassies in Georgia, fixing the priorities for EU-Georgia cooperation for the 2014-2017 period. Cooperation is focussed on reforms in the public administration and justice sectors, as well as on agriculture and rural development, with complementary support being planned for capacity development in support of EU-Georgia agreements, as well as for civil society. This multifaceted cooperation also extends to visas, market access, the EU's contribution to conflict settlement in Georgia and Georgia's participation in EU external missions in Africa.

At present, the EU is [funding](#) more than 100 projects in Georgia in a number of sectors. The EU's global assistance to the country amounts to over €100 million a year, dispensed through grants and contracts, but also increasingly through budget support. Such support has recently been provided for reforming the criminal justice system (€25 million between 2012 and 2016) and for regional development.

Visa-free regime and DCFTA

In 2015, the EU Member States issued 87 000 visas to Georgian citizens. Keeping in mind the absence of a land border between the EU and Georgia, and the latter's [per capita GDP](#) (11 % of the EU average per capita GDP in 2015), this speaks clearly of a strong interest among Georgians in travelling to the EU. After a long process of reviewing the resilience of Georgian institutions, the EU decided to grant Georgians a visa-free regime for short trips. EU-Georgia [visa facilitation](#) and [readmission agreements](#) are operational since

2011. In June 2012, the European Commission and the Georgian government launched the [EU-Georgia visa liberalisation dialogue](#), and a year later the [visa liberalisation action plan](#). This latter set benchmarks for the adaptation of the legislative, policy and institutional framework (phase 1) and for ensuring its effective and sustainable implementation (phase 2). In the various progress reports, the Commission noted the Georgian authorities' commitment to reforms, and eventually recommended in March 2016 to [lift](#) visa obligations for Georgian citizens. The file had been blocked in the Council of the EU pending the outcome of the parallel negotiations with the Commission and the Parliament on an [emergency suspension mechanism](#) in case of non-respect of engagements by a country enjoying a visa-free regime. On 2 February 2017, the Parliament [voted to lift](#) visa obligations for Georgian citizens, following a trilogue agreement with the Council. The latter is expected shortly to complete the adoption of this measure.

The EU also provided Georgia with extended access to its market through the DCFTA concluded in 2014. In the first six months of the DCFTA, Georgian exports to the EU [rose](#) by 12 % while EU exports to Georgia remained stable.

European participation in peace-building efforts in Georgia

The EU-Georgia partnership has been very active in recent years. For instance, the EU [sent](#) 200 monitors to the border with Abkhazia and South Ossetia through the [EU Monitoring Mission](#) (EUMM). In December 2016, the mission's mandate was [extended](#) for a further two years. The relationship with Tbilisi of the two separatist regions recognised by Russia remains difficult, and 270 000 [refugees](#) are still waiting to return home. They receive [assistance](#) from the Georgian government in the form of temporary housing and financial support. The EU supports NGOs working with Georgian internally displaced persons to provide qualification and work placement services.

Georgia is the main [contributor](#) to the EU peace-making mission in Mali, with 150 soldiers. This first Georgian military participation outside Europe is a sign of Tbilisi's commitment to EU foreign policy and a recognition of the EU's involvement in the country, including through EUMM.

The European Parliament and Georgia

In January 2016, the European Parliament adopted a [resolution](#) on association agreements / deep and comprehensive free trade areas with Georgia, Moldova and Ukraine, in which it voiced its recognition for the three countries' European aspirations and the role of association agreements in the promotion of reforms. The EP recalled its support for maintaining Georgia's territorial integrity. It praised Georgia's progress in reforming its administration, but also called for respect of media pluralism, reform of the judicial system and implementation of the Venice Commission recommendations about ensuring the independence of Constitutional Court judges.

Main references

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Endnote

¹ The Georgian Migration Commission points out that the variation in population net flows since 2002 can be attributed to changes in the methodology of GeoStat, the Georgian statistical agency.

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