



## 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, crime, corruption, 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 re-integrate 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.<sup>1</sup>



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

President Bush visited Georgia on May 9-10, 2005, and praised its 2003 peaceful rose revolution for "inspiring democratic reformers" and freedom "from the Black Sea to the Caspian and to the Persian Gulf and beyond." He cautioned Georgians that it might

<sup>1</sup> Department of State. *Congressional Budget Presentation for Foreign Operations, FY2008*.

take them “generations” to fully establish democracy, but praised their progress in creating free media, fighting corruption, respecting minority rights, permitting diverse political parties, and setting up an independent judiciary. He urged that Georgia stick to peaceful means to settle separatist conflicts. He offered to “make a phone call or two” to help resolve the conflicts, but stressed that the United States could not impose a solution. He offered unspecified U.S. aid so that Georgia could qualify to join NATO. He also offered U.S. mediation on the issue of Russian military bases in Georgia. Saakashvili hailed the Bush visit as marking “final proof that Georgia is an independent state with inviolable territory” and praised the United States as the foremost backer of Georgia’s democratization. He emphasized that this U.S.-Georgian “partnership” was based on “our shared belief in freedom,” and was the reason Georgia had sent troops to Iraq to end “enslavement” there.<sup>2</sup>

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. Budgeted aid to Georgia for FY2006 was \$153.01 million (FREEDOM Support Act and agency funds) and the Administration has requested \$66.4 million for FY2008 (FREEDOM Support Act and other foreign assistance, not including Defense and Energy Department funds). The Administration has stressed that a major new assistance program — the Millennium Challenge Account (Section D of P.L. 108-199) — will bolster U.S. support for Georgia’s development and poverty alleviation. A newly established Millennium Challenge Corporation (MCC) announced in May 2004 that Georgia met required democratic and economic reform criteria and would be one of the first states invited to apply for aid. In August 2005, the MCC approved a five-year, \$295.3 million agreement (termed a “compact”) with Georgia to improve roads, repair a gas pipeline, create a small business investment fund, set up agricultural grants, and improve water supplies, sanitation, and irrigation. As of February 2007, \$21.9 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 use by U.S. troops

### Georgia: Basic Facts

**Area and Population:** 26,872 sq. mi., slightly larger than West Virginia. The population is 4.66 million (*The World Factbook*, mid-2006 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:** \$17.8 billion in 2006; per capita income is about \$3,800 (*World Factbook* est., purchasing power parity).

**Political Leaders:** President: Mikhail Saakashvili; Prime Minister: Zurab Noghaideli; Speaker of the Parliament: Nino Burjanadze; Defense Minister: Davit Kezerashvili; Foreign Minister: Gela Bezhushvili.

**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 September 2001, accusing the government of corruption and forming the National Movement party bloc. In 2002-2003, he chaired the Tbilisi city council.

<sup>2</sup> 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.

for coalition operations in Afghanistan. In February 2002, President Bush announced that the United States would help Georgia combat several dozen al Qaeda and other terrorists who had fled from Afghanistan, some of whom had sought refuge in Georgia's Pankisi Gorge area. Georgia was among the countries in 2003 that openly pledged to support the U.S.-led Operation Iraqi Freedom — offering the use of airbases — and to assist the United States in rebuilding Iraq. In August 2003, Georgia dispatched 69 troops to Iraq, and boosted them to over 850 in March 2005 (making Georgia the second largest per capita contributor). In March 2007, Saakashvili announced that troop deployments to Iraq would increase to 2,000 and that 100 troops would be deployed to Afghanistan.

A \$64 million Georgia Train and Equip Program (GTEP), one of several U.S. security programs in Georgia, began in May 2002. U.S. troops provided training in light infantry airmobile, mechanized, and mountain tactics, and medical and logistical methods 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, uniforms, and construction materials for some base refurbishment were provided. The program formally ended in April 2004 but a follow-on 16-month Sustainment and Stability Operations Program (SSOP) was launched in early 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 July 2006, the United States announced that the SSOP would be extended another year and funded at \$30 million.

## **Foreign Policy and Defense**

In his inaugural address in January 2004, Saakashvili proclaimed that Georgia hoped to become the first former Soviet republic to successfully integrate with Western institutions, including the European Union. 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 residing in Iran. In his annual address in mid-March 2007, Saakashvili stated that the past year had witnessed the nadir of Georgian-Russian relations, with Russia imposing far-reaching economic sanctions on Georgian imports, boosting the price of gas, restricting transport and travel, and deporting many Georgians working in Russia. He had just returned from the Kodori Gorge in Abkhazia (see below), where unknown helicopters allegedly had bombed some Georgian-held villages. Before this incident, however, he had welcomed some recent thawing in Georgia-Russia ties, including the reduction of harsh Russian rhetoric accusing Georgia of war-mongering.

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 to

support Russian “peacekeepers” in Abkhazia. In March 2005, the Georgian legislature passed a resolution calling for Russia to come to an agreement by mid-May on closing the remaining bases or face various restrictions on base operations. Spurred by this deadline, Russia agreed with Georgia by the end of the month to close its base at Akhalkalaki by the end of 2007 and the base at Batumi by mid-2008. President Putin explained that his military General Staff had assured him that the bases were Cold War-era relics of no strategic importance to Russia.

According to *The Military Balance* (February 2007), Georgia’s ground forces and a small navy and air force number 11,320. 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 participates in NATO peacekeeping in Kosovo (150 troops) 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.

## Political and Economic Developments

The U.S. State Department joined others in criticizing “massive vote fraud” in Ajaria and other irregularities in the wake of a November 2, 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 on November 23. Russia and the United States appeared to cooperate diplomatically during this crisis to urge Georgians not to resort to violence. 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 from a field of five candidates. 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, perhaps ensuring firm legislative backing for Saakashvili’s policies. The New Rightist-Industrialist bloc won 7.6% of the vote. All other parties received less than 7% of the vote, the minimum required to win seats. The OSCE judged the election as the most democratic since Georgia’s independence.

According to the State Department’s *Country Reports on Human Rights Practices for 2006* (released March 2007), the Georgian government took significant steps to improve the human rights situation during 2006, although serious problems remained. Improvements included stepped up efforts to convict human traffickers, reform the justice system, and combat corruption. Cases of torture and mistreatment of detainees were reported, some related to a government campaign to crack down on organized crime. Monitoring groups at police stations were successful in reducing police mistreatment of detainees at the stations, but mistreatment continued during arrests. Prison conditions remained poor and even worsened during the year, despite budget increases, in part because of an increased prison population. Public confidence in patrol police increased,

in part because higher salaries provided an incentive for them to refrain from extorting money from citizens. In December, the legislature approved a constitutional amendment to take away the president's power to appoint and dismiss judges and to give it to the High Council of Justice, composed of lawyers, judges, and others. Media generally operated freely, although some instances of government harassment of reporters and pressure to shape media content were alleged.

Georgia's GDP increased 8.8% in 2006 and consumer price inflation was 10% (*The World Factbook*). In March 2007, the International Monetary Fund (IMF) praised Georgia's economic performance in 2006 in the face of Russia's economic sanctions and attributed it to an improved business climate that attracted foreign investment. The IMF raised concerns, however, that the sanctions might retard GDP growth in 2007 by reducing worker remittances and exports to Russia and increasing gas prices, but it hoped that foreign investment might bolster business. Perhaps troubling, Georgia has made little progress in reducing a poverty rate of about 40%, but educational, health, and welfare programs are planned for 2007. Georgia plans to finance its 2007 budget deficit through international loans and proceeds from privatization auctions. 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 \$213.9 million in 2005 and \$265.7 million in 2006, over one-half of which consisted of meat and automobiles. Georgian exports to the United States were \$194.4 million in 2005 and \$105.3 million in 2006 and consisted mainly of 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 and again in late 2006, Russia's state-owned Gazprom gas firm announced substantial increases in the price of gas shipped to Georgia. In the winter of 2005-2006, unknown saboteurs bombed gas pipelines in Russia, temporarily cutting off supplies to Georgia. That winter and the next, Georgia obtained some alternative gas supplies from Azerbaijan, easing its dependence on Gazprom and spurring Georgia's efforts to develop alternative suppliers and hydropower resources.

**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 South Ossetian and Abkhazian 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 a settlement of the conflict. 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 new 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 and contributed to a hiatus in JCC talks. In March 2007, the OSCE facilitated a meeting of the JCC in Turkey and of donors for reconstruction efforts.

**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 asserted that the action marked Georgia’s efforts to re-establish its authority throughout Abkhazia, and he 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. The UNSC stressed the “important” and “stabilizing” role played by Russian peacekeepers and UNOMIG. Some Georgian officials viewed this language as not supportive of their calls for a more multinational peacekeeping force. In January 2007, UNOMIG reported that its limited patrols observed no Georgian military forces in the Gorge.<sup>3</sup> At a meeting hosted by the Friends of Georgia in Geneva on February 13, 2007, the Abkhaz de facto authorities reportedly reiterated that they would not resume talks with Georgia until their conditions were addressed.

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<sup>3</sup> U.N. Security Council. *Resolution 1716 (2006), Adopted by the Security Council at its 5549th meeting*, Oct. 13, 2006; *Report of the Secretary-General on the situation in Abkhazia, Georgia*, Jan. 11, 2007.