



Latvian Transatlantic Organisation

The background of the cover features a photograph of the Riga skyline at dusk, with the spires of St. Peter's Church and the Riga Cathedral visible against a twilight sky. The image is partially obscured by large, overlapping geometric shapes in shades of blue and grey. The text 'POLICY BRIEF' is written in a bold, white, sans-serif font and is underlined with a thin white line.

POLICY BRIEF

GEORGIA AND THE THREE SEAS INITIATIVE: PERSPECTIVES OF COOPERATION

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INTRODUCTION

This article is written with a deep conviction that European integration is the only way forward for the development of Georgia. The European choice is repeatedly affirmed by the Georgian people: various sociological polls have shown the high approval rate of 70-80% for EU and NATO membership.¹ It is also declared in the Constitution of Georgia.² Eventual European Union (EU) membership must be attained, no matter how difficult or long the process may be. Any other hypothetical way for Georgia means minimum standards of democracy, security, and well-being, which is likely to push a large part of the population, especially the youth, to leave the country to seek a better life. The alternative is to live in a country with a small and vague perspective of human development and of sustainable economic development.

Georgians consider themselves a part of European civilization and culture, evidenced by the adaptation of Christianity as early as the fourth century. The uniqueness of the EU and the irreversibility of its development are conditioned by the values recognized and shared by the participating countries: respect for human dignity, individual freedom, democracy, equality, rule of law, and respect for human rights, including those of minorities. **Georgia's place, in accordance with its history, culture, and the conscious political choice of its citizens, is in this Union. Integration with the Three Seas Initiative, formed by 12 Central and Eastern EU Member States, can become an important step in this direction.**

¹ Public Attitudes in Georgia Results of December 2019 survey. NDI, 2919, pp.71-72. https://www.ndi.org/sites/default/files/NDI%20Georgia_December%202019_Public%20Presentation_ENG_VF.pdf

² Constitution of Georgia. Article 78. <https://matsne.gov.ge/en/document/view/30346?publication=36>

Georgia's aspirations for European and Euro-Atlantic integration will depend on how the current strained geopolitical climate will evolve. Aggressive Russian foreign policy towards its neighbors, including the ongoing occupation of Georgia's territories and China's economic expansion and increasing confrontation with the West, causes concerns in the small South Caucasian democracy. But for those very same reasons, Georgia's wish to cooperate with the Three Seas Initiative seems even more relevant and, moreover, necessary. The Three Seas Initiative has set out to facilitate economic growth, innovation, and security and to make Europe stronger and more cohesive. To achieve these goals, cooperation is promoted for the development of infrastructure in the energy, transport, and digital sectors.³ This can serve as a tangible platform to deepen Georgia's economic and political integration with Europe. At the same time, Georgia's attractive position between the Black and Caspian seas can offer new opportunities for the Three Seas Initiative.

SNAPSHOT OF GEORGIA'S ECONOMY

Located at the crossroads between Asia and Europe, Georgia is a small but open market focused on international trade, tourism, and logistics. Through persistent reforms, Georgia has developed a stable market economy. Georgia strongly depends on international trade and foreign investment for future growth. Today the country has one of the most liberal trade policies in the region, which is reflected in simplified foreign trade regime and customs procedures, low import tariffs, and minimum non-tariff regulation.⁴ However, the trade balance of Georgia is negative; exports do not even reach 30% of trade.⁵ Although the EU is viewed as one of Georgia's priority markets, there is a trend of declining trade ties, especially in the area of exports. This decline cannot be explained by the impact of the COVID-19 pandemic alone.

³ Objectives. Three Seas Initiative. <https://3seas.eu/about/objectives>

⁴ Abuselidze, George. *European Integration of Georgia and Financial Economic Condition: Achievements and Challenges*. In: *European Journal of Sustainable Development* (2019), Vol.8, No.1, pp.53-68, p.61. https://mpra.ub.uni-muenchen.de/97343/1/MPRA_paper_97343.pdf

⁵ External Trade. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/35/external-trade>

Despite the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU,⁶ there has been a clear downward trend. In 2016, Georgia's exports to the EU amounted to 26.6%, while today it is only 16.9%.⁷ DCFTA, an unconditionally unique tool, is less productive today due to the Georgian government's ineffective economic policies. As of late, economic diversification and improvement of trade with the EU have not featured prominently in Georgian political discourse. Instead, internal political squabbles overshadow other important issues for the country's development.

As a regional logistics hub, Georgia can offer the Three Seas Initiative access to a market of 2.3 billion through free trade or preferential trade agreements. Reaching a free trade agreement with the United States will also be of particular importance. The recent intensification of dialogue regarding such an agreement gives hope that it could be concluded in the near future.⁸ Georgia already holds a Free Trade Agreement with China. Georgia's exports to China have sharply grown: China became its main export partner with 13.9% in 2020, while Georgia's exports to China accounted for only 5.4% in 2019.⁹ China maintained its position as Georgia's main export partner also in 2021. This trend has somehow gone unnoticed in the public and political discussions in Georgia.

As much as Georgia wishes for closer cooperation with the EU, its overall main trade partner remains the Russia-lead Commonwealth of Independent States.¹⁰ The main reason for this is arguably the proximity and historic familiarity of the Russian market. In turn, China is seen as a lucrative partner because of the ease of doing business. In addition, Georgia has not had a bad historical experience with China (unlike with Russia's periodic

⁶ EU-Georgia Deep and Comprehensive Free Trade Area. European Commission. <https://trade.ec.europa.eu/access-to-markets/en/content/eu-georgia-deep-and-comprehensive-free-trade-area>

⁷ Exports. Exports by country groups. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/637/export>

⁸ Sanchez, Alejandro. *US-Georgia Economic Relations: Time for an FTA?* Geopoliticalmonitor.com, January 20, 2022. <https://www.geopoliticalmonitor.com/us-georgia-economic-relations-time-for-an-fta/>

⁹ Exports. Exports by countries. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/637/export>

¹⁰ Exports. Exports by country groups. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/637/export>

economic embargos). At the same time, these markets do not facilitate improvement of the quality standards for Georgian produce or good business practices. In addition, increased economic dependence on undemocratic actors cannot go hand in hand with the long-term sustainable development of a country and poses a threat to national security.

Georgia's GDP per capita is \$4,255.¹¹ According to preliminary data, the country's GDP growth in 2021 was 10%, which is quite high. However, given that the GDP fell by 6.8% in 2020¹² due to the pandemic, it is clear that this growth cannot be considered to be a prelude to sharp development of the economy, especially with the condition of 9.6% annual inflation (preliminary data for 2021).¹³ As a result, the 10% GDP growth in 2021 has had a minimal impact on the population. Additionally, during the pandemic, Georgia's foreign debt increased from 40% to 60% of the GDP.¹⁴ For 2022, the Georgian government projects 6% GDP growth.¹⁵

In 2020, the structure of the country's GDP was as follows:¹⁶

Wholesale and retail trade; repair of motor vehicles and motorcycles	14.8%
Real estate activities	11.7%
Manufacturing	10.7%
Construction	8.7%
Agriculture, forestry, and fishing	8.3%
Public administration and defense; compulsory social security	7.5%
Transportation and storage	6.1%
Financial and insurance activities	5.1%
Other sectors	27.2%

¹¹ National Statistics Offices of Georgia. <https://www.geostat.ge/en>

¹² Gross Domestic Product (GDP). National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/23/gross-domestic-product-gdp>

¹³ Consumer Price Index (Inflation), 12 month average over the previous 12 months, %. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/26/cpi-inflation>

¹⁴ Public debt. Budget monitor. <https://budgetmonitor.ge/en/debt>

¹⁵ *Georgian Finance Minister: we expect 6% economic growth in 2022*. Agenda.ge, November 17, 2021. <https://agenda.ge/en/news/2021/3618>

¹⁶ Gross Domestic Product (GDP). Gross Domestic Product, at current price. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/23/gross-domestic-product-gdp>

The average (net) salary of a Georgian citizen is about 310 euro.¹⁷ For comparison, the average (net) salary of a Latvian is about 890 euro.¹⁸ In order for the average salary of a Georgian to reach that of a Latvian, decades of current economic development rates and forecasts would be required. Today, in light of globalization and the simplified opportunities for migration, caring for the standards of the well-being of citizens is not only an economic but also a political and national security issue. High unemployment (18.5%),¹⁹ low-paying jobs, and minimal prospects for human development are encouraging tens of thousands of people (especially young people) to leave Georgia in search of higher wages and a better working environment.²⁰ The amount of remittances from abroad is traditionally high in Georgia. To put numbers in perspective, the population of Georgia is 3.7 million, and the remittances from abroad (mainly from immigrants helping their families in Georgia) amounted to \$2.35 billion in 2021.²¹ It is also important to note that the strength of the national currency is largely due to the transfer of large amounts of solid currency from abroad.

During the pandemic, foreign direct investment in Georgia has decreased.²² Overall, Georgia's investment climate is open and positive. Legislation establishes favorable conditions for foreign investment but not preferential treatment for foreign investors. Registering a business is quick and easy due to the digitalization and centralization of government services, and the tax regime in Georgia remains favorable.²³ Georgia has bilateral agreements on investment promotion and mutual protection with more than 30 countries, including Ukraine, Moldova, and seven countries of the Three Seas Initiative.²⁴

¹⁷ Wages. Average monthly nominal earnings, GEL. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/39/wages>

¹⁸ In the 1st quarter, average monthly gross wages and salaries amounted to EUR 1,207. Official statistics portal of Latvia, June 1, 2021. <https://stat.gov.lv/en/statistics-themes/labour-market/wages-and-salaries/press-releases/6569-wages-and-salaries-1st>

¹⁹ Employment and Unemployment. Labour force indicator. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/683/Employment-Unemployment>

²⁰ Bastianon, Christina Diane. 2019. Youth Migration Aspirations in Georgia and Moldova. In: *Migration Letters*, Vol. 16, No. 1, pp.1005-121. <https://journals.tplondon.com/ml/article/view/596/592>

²¹ Money Transfers. National Bank of Georgia. <https://nbg.gov.ge/en/page/money-transfers>

²² Foreign Direct Investments. National Statistics Offices of Georgia. <https://www.geostat.ge/en/modules/categories/191/foreign-direct-investments>

²³ Taxation. Invest in Georgia. <https://investingeorgia.org/en/georgia/taxation>

²⁴ International Investment Agreements Navigator, Georgia. UNCTAD. <https://investmentpolicy.unctad.org/international-investment-agreements/countries/77/georgia>

GEOPOLITICAL CONTEXT FOR GEORGIA'S EUROPEAN INTEGRATION

Since regaining its independence in 1991, Georgia has undertaken significant and difficult reforms. Georgia is trying to build a European-style state based on Western values, where human rights and the rule of law are a priority and the principles of a free market economy are recognized. **The road to reform is difficult, and success is often followed by failure. The difficulties are especially aggravated by neighboring aggressor Russia's undisguised desire for Georgia to not become a successful democracy and to slow down its European integration. In the last thirty years, Russia has waged several wars against Georgia.** As a result, 20% of Georgia remains occupied, and 8% of the population is internally displaced.²⁵ Against this background, Georgia is trying to implement reforms, to create better conditions for human development by harmonizing legislation with EU standards, to improve the investment environment, and to replace the obsolete Soviet infrastructure with a modern one.

Since the early 1990s, Georgia has been a member of two regional organizations: The Black Sea Economic Cooperation (BSEC)²⁶ and The Organization for Democracy and Economic Development (GUAM).²⁷ Both organizations have UN observer status and cover all areas of economic cooperation. Nevertheless, membership in these organizations has not had a strong impact on Georgia's development. In the case of the BSEC, there are significant ideological differences between the participants, including existing political and military conflicts. In the case of GUAM, no EU country participates in it, limiting access to European funds.

Unlike the countries of the Three Seas Initiative, Georgia does not share a direct border with any EU country. Moreover, its South Caucasus neighbors Armenia and Azerbaijan do not share the aspiration to join the EU and have been at war with each other for decades. This has negatively impacted

²⁵ Internally Displaced Persons' Issues. Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia. <https://www.moh.gov.ge/en/703/>

²⁶ Organization of the Black Sea Economic Cooperation. <http://www.bsec-organization.org/>

²⁷ Organization for Democracy and Economic Development. <https://guam-organization.org/en/>

regional development prospects. Turkey is Georgia's strongest regional partner and offers Georgia significant economic development opportunities. However, at the same time, relations between the EU and Turkey have become fractious.²⁸ On this backdrop, Russia and Turkey are attempting to unite Russia, Turkey, Iran, and the three South Caucasus nations under the so-called 3+3 format (The Caucasus Platform).²⁹

Following the hostilities in Nagorno-Karabakh, Russia and Turkey started promoting the 3+3 format as a way to ensure lasting peace in the region. Georgia is facing increased pressure to join this union,³⁰ being the only country out of the six that has openly stated that it has no intention of joining for political and security reasons.³¹ Despite Georgia's absence, the country's flag was displayed at the 3+3 meeting in Moscow.³² The Georgian-Russian relationship, as well as the relations between the two big players of Russia and Iran with the West, are strained. There is more to lose than gain for Georgia, whose primary objective is Euro-Atlantic integration. On the other hand, Georgia cannot change its geography and will eventually participate in joint logistics and energy projects developed by the other countries of the region. But Georgia has to weigh economic gain against long-term security.

Georgia is also aware of the interest of other actors in the region. Cooperation with China, for one, is seen as a lucrative opportunity to speed up Georgia's economic development. Georgia's cooperation with China is noteworthy. Within the framework of the Belt and Road Initiative, possibilities of

²⁸ Scazzieri, Luigi. *From Partners to Rivals? The Future of EU-Turkey Relations*. Cer.eu, June 23, 2021. <https://www.cer.eu/publications/archive/policy-brief/2021/partners-rivals-future-eu-turkey-relations>

²⁹ *Erdogan says Caucasus platform can turn new page in Turkey-Armenia ties* - NTV. REUTERS, December 11, 2020. <https://www.reuters.com/article/armenia-azerbaijan-turkey-idUSKBN28L21G>

³⁰ *Sergey Lavrov: We asked Turkey, Azerbaijan and Armenia to explain the benefits of the "3+3 format" to Georgia - it is in Georgia's interest to join the "3+3 format" without preconditions*. Ipn.ge, January 14, 2021. <https://www.interpressnews.ge/en/article/117786-sergey-lavrov-we-asked-turkey-azerbaijan-and-armenia-to-explain-the-benefits-of-the-33-format-to-georgia-it-is-in-georgias-interest-to-join-the-33-format-without-preconditions/>

³¹ *Georgia rebuffs to attend next 3+3 Caucasus platform meeting*. 1tv.ge, January 19, 2022. <https://1tv.ge/en/news/georgia-rebuffs-to-attend-next-33-caucasus-platform-meeting/>

³² *Georgian Foreign Ministry: the use of Georgian flag at 3 + 3 meeting is unacceptable*. Jam-news.net, December 14, 2021. <https://jam-news.net/georgian-foreign-ministry-the-use-of-georgian-flag-at-3-3-meeting-is-unacceptable/>

transporting cargo from China to Turkey by train via Georgia are being tested. This presents unique opportunities to further advance Georgia's transportation infrastructure.³³ It now takes about 12 days for the train to arrive from Lianungan in China to Istanbul in Turkey. China has also become an important player in Georgia, successfully participating in state tenders.³⁴ As stated above, since 2020, China has also become Georgia's main export partner. At the same time, relations with China are ambiguous, as Georgia's main strategic partners (the United States and the EU) see undemocratic China as a global threat. The caution shown by the Western countries in developing economic ties with China should also make Georgia cautious. **Unlimited Chinese economic expansion within Georgia would be a reckless move without giving a proper consideration to security implications.**

Policymakers in the United States and the EU have at times expressed concern that China's influence in the region could help exacerbate governance shortfalls and undermine political and economic stability.³⁵



On key issues, Tbilisi has chosen Washington over Beijing:

signing of the memorandum of understanding on 5G security is one such example.³⁶ The United States is Georgia's strategic partner. In 2009, a Strategic Partnership Charter was signed between the two countries in Washington.³⁷

³³ *Azerbaijan, Georgia, Turkey launch 'Silk Road' rail link.* Euractiv.com, July 8, 2019. <https://www.euractiv.com/section/azerbaijan/news/azerbaijan-georgia-turkey-launch-silk-road-rail-link/>

³⁴ *Kvesheti-Kobi 9-kilometer tunnel will be built by a Chinese company.* 1tv.ge, February 9, 2019. <https://1tv.ge/news/qvesheti-kobis-9-kilometrian-gvirabs-chinuri-kompania-aashenebs/>

³⁵ Brattberg, Erik; Le Corre, Philippe; Stronski, Paul; De Waal, Thomas. *China's Influence in South-eastern, Central and Eastern Europe: Vulnerabilities and Resilience in Four Countries.* Carnegie Endowment for International Peace, October 13, 2021. <https://carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415>

³⁶ United States – Georgia Memorandum of Understanding on 5G Security. U.S. Embassy in Georgia, January 14, 2021. <https://ge.usembassy.gov/united-states-georgia-memorandum-of-understanding-on-5g-security/>

³⁷ United States-Georgia Charter on Strategic Partnership. U.S. Department of State. State.gov, January 9, 2009. <https://www.state.gov/united-states-georgia-charter-on-strategic-partnership/#:~:text=The%20United%20States%20of%20America%20and%20Georgia%3A&text=Affirm%20the%20importance%20of%20our,broad%20spectrum%20of%20mutual%20priorities.>

This understanding is also shared by the Georgian population, who consider the United States to be their main political partner.³⁸

Positioning Georgia differently to other countries in the region and swimming against the tide requires a justification to its citizens in terms of tangible benefits of such political choices. It is a difficult but nonetheless possible task. In Georgia's relationship and engagement with the West, there is room for improvement. **Improving Georgia's internal political climate, decreasing political polarization, and reforming the judicial system would be some of the crucial steps towards a closer and more effective cooperation with the EU.** Georgia wishes to be part of alliances based not on geographical proximity but on shared values and foreign policy goals.

GEORGIA'S SUCCESS AND CHALLENGES

For Georgia, EU and NATO integration remain key foreign policy goals and are additional drivers for reforms. Georgia has also paid a heavy price for its Western orientation, resulting in the 2008 war with Russia (seen by the Kremlin as a way to hamper Georgia's Euro-Atlantic integration and domestic progress).



Although Georgia has stood firm on its Euro-Atlantic course, the disappointment following the 2008 NATO Summit in Bucharest (where Georgia was denied a Membership Action Plan) has not disappeared but rather increased over the years.³⁹

³⁸ Public Opinion Survey Residents of Georgia, June 2021. IRI, 2021. https://www.iri.org/sites/default/files/iri_poll_presentation_georgia_june_2021_public_release.pdf?fbclid=IwAR0NG2BLxEQC_jVcQcdRIIm86eUN_2M9niIX3XoDQuYxyQT_6ia7pn6RadVc

³⁹ Rekhviashvili, Jimsher. *A 20-year history of knocking on NATO doors*. Radio Free Europe/Radio Liberty, December 14, 2021. <https://www.radiotavisupleba.ge/a/31609185.html>

Georgia has seen other countries with lesser achievements in terms of reforms or contribution to NATO's operations being accepted into the Alliance. **EU membership also seems to be a distant goal. This has contributed to a certain fatigue in the Georgian society, which needs a new boost to see tangible progress for European integration.**

Despite difficult circumstances, Georgia has achieved significant progress and could become a reliable partner for the EU. Today, Georgia ranks 7th among 190 countries in the World Bank's Doing Business report (up from #112 in 2005).⁴⁰ The 2021 Index of Economic Freedom has ranked Georgia as 12th in the world and 7th among 45 countries in the European region.⁴¹ Transparency International's Corruption Perception Index ranks Georgia as 45th in the world, marking it as a clear leader in Eastern Europe (including non-EU countries) and Central Asia.⁴²

Georgia has also made significant steps to integrate with the EU: the EU-Georgia Association Agreement entered into force in July 2016,⁴³ followed by conclusion of the DCFTA. Georgian citizens have benefited from visa free travel to the Schengen area since March 28, 2017.⁴⁴ The EU also demonstrated its strong commitment to safeguard Georgian democracy by engaging in the mediation of the political deadlock that followed the Parliamentary election of 2021. President of the European Council, Charles Michel, personally brokered a conciliatory agreement between the government and opposition politicians, but this agreement was subsequently violated by the Georgian political

⁴⁰ Ease of Doing Business ranking. The World Bank. <https://www.doingbusiness.org/en/rankings>

⁴¹ Index of Economic Freedom 2021. The Heritage Foundation. <https://www.heritage.org/index/country/georgia>

⁴² Corruption Perceptions Index 2020. Transparency International. https://www.transparency.org/en/cpi/2020?gclid=CjwKCAiA0KmPBhBqEiwAJqKK443TfRD3qxbAZUbmglHzHgmpc2iZgJHGh49W4WMiVDBM3upwRr6oRoCP8QQAvD_BwE

⁴³ Countries and Regions, Georgia. European Commission. <https://ec.europa.eu/trade/policy/countries-and-regions/countries/georgia/>

⁴⁴ From March 28, Georgian citizens can enter the Schengen Area without a visa. Schengenvisa.info. com, March 3, 2017. <https://www.schengenvisa.info.com/news/march-28-georgian-citizens-can-enter-schengen-area-without-visa/#:~:text=%E2%80%9CThe%20lifting%20of%20visa%20requirements,Georgia%20by%20the%20European%20Union.&text=Georgians%20who%20hold%20biometric%20passports,or%20other%20purposes%2C%20except%20work.>

parties.⁴⁵ One of the conditions of the agreement was implementation of judicial reform prior to appointment of Supreme Court judges. This requirement was not observed, which not only evoked strong criticism from the EU and the U.S. but also prevented Georgia from receiving a 75 million EUR loan from the EU.⁴⁶

This judicial reform is an Achilles heel for Georgia. The 2021 report of the Association Agreement states: “Looking ahead, a demonstrated reform commitment as regards democracy consolidation and reform of the judiciary will be crucial to further advance on its European path”.⁴⁷ It is clear that the implementation of this reform will be crucial in terms of rapprochement with Europe. But it seems that the current Georgian political environment is so polarized that foreign policy goals and economic development remain a distant concern on the backdrop of an ongoing political crisis and fight with the COVID-19 pandemic.

WHAT CAN GEORGIA BRING TO THE THREE SEAS INITIATIVE?

Georgia and the Three Seas Initiative have a rather short history of interaction. In 2017, a representative of Georgia’s Presidential Administration (Tengiz Pkhaldze) participated at the Three Seas Initiative’s Summit in Warsaw. A year later, Georgia’s Deputy Foreign Minister (George Shervashidze) was given floor at the Business Forum of the Three Seas Initiative’s 2018 Bucharest Summit.⁴⁸ This was a notable development since the Business Forum was attended by country leaders and 600 additional government and business representatives of the countries. Highlighting a Georgian

⁴⁵ Remarks by President Charles Michel after his meeting in Georgia with Prime Minister Garibashvili and representatives of opposition political parties. European Council, March 1, 2021. <https://www.consilium.europa.eu/en/press/press-releases/2021/03/01/remarks-by-president-charles-michel-after-his-meeting-in-georgia-with-prime-minister-garibashvili-and-representatives-of-opposition-political-parties/>

⁴⁶ *Georgia to Refuse Conditional EU Loan, Garibashvili Says*. *Civil.ge*, August 8, 2021. <https://civil.ge/archives/437831>

⁴⁷ Association Implementation Report on Georgia. European Commission, February 5, 2021. https://www.euneighbours.eu/sites/default/files/publications/2021-02/2021_association_implementation_report_in_georgia.pdf

⁴⁸ Enhancing European and Transatlantic Economic cooperation. Three Seas Initiative, September 17, 2018. <https://3si-business.com/agenda/>

representative at this event signaled an increased interest from the Three Seas Initiative towards Georgia. However, no other notable developments have occurred since then. The upcoming 2022 Summit in Riga presents an opportunity to revisit Georgia's relationship with this format.

The priority economic areas of the Three Seas Initiative are infrastructure development in the energy, transport, and digital sectors. **Georgia's favorable geographical location and ongoing democratic reforms should increase the motivation of partner countries to involve Georgia in large and medium-sized economic logistics projects.** Georgia has improved infrastructure, efficiently exports and imports energy products and resources, and provides transit routes to the region and wider Asia. Let us briefly review how Georgia can contribute to the development of these areas.

Transport, infrastructure, and connectivity

Georgia's involvement in the Three Seas Initiative seems quite justified. Georgia has access to the Black Sea through four ports, and there is a prospect of building a deep-water port in Anaklia. Georgia's participation in the Three Sea Initiative will make the region's economic projects larger and more effective, while improving ties between the EU and its partner countries.

The ZUBR⁴⁹ and Viking⁵⁰ projects (with a common simplified tariff plan and common bureaucratic requirements) aim to move cargo from the Baltic states to Ukrainian ports so that the cargo does not cross Russian territory. Although these projects can be negatively impacted by Belarus's undemocratic policies and strained relationship with the West, there are also other ways to carry cargo by land from the Baltics to Ukraine's shore. Georgia's participation by receiving this cargo from Ukraine and transporting it further east will increase the economic potential of the entire region. Georgia can also play an important role in transporting Asian cargo by the Black Sea to ports in Bulgaria and Romania.

⁴⁹ Container trains ZUBR. LDZ Logistics. <https://logistika.ldz.lv/en/content/%C2%ABzubr%C2%BB>

⁵⁰ Viking Train. Lithuanian Railways. <https://cargo.litrail.lt/en/viking-train>

The position of the previous and current governments of Georgia is that Georgia should play an important transport function connecting Europe and Asia. In fact, the realization of this function can become one of the rare and at the same time objective preconditions for the rapid and sustainable development of the Georgian economy. Nevertheless, geographical location alone is not enough for Georgia to carry out large multimodal shipments effectively. For such large-scale shipments, the infrastructure is either non-existent or outdated. Replacing unusable infrastructure or building new infrastructure requires a lot of effort and often colossal finances. There are several important ongoing and already completed projects in Georgia that have the potential to increase Georgia's transit role. One such project is the modern railway connecting Azerbaijan and Turkey via Georgia – The Iron Silk Road.⁵¹ However, development of the Anaklia deep sea port will be even more crucial for Georgia.⁵²

In order to increase Georgia's transit potential, it is necessary to sharply increase the intensity of maritime transport. Judge for yourself: the largest Georgian port of Poti transported⁵³ 6.5 times less cargo in 2020 than the largest port of the Baltic Sea Klaipeda.⁵⁴ Construction of the Anaklia deep-water port in Georgia, which was to be performed by a company with Georgian-American capital on the basis of a tender, was intended to strengthen Georgia's transport capabilities. The total cost of the project was \$2.5 billion, and the port of Anaklia would be able to transport 100 million tons per year after completion of the project (the four Georgian ports together transported 17 million tons of cargo in 2020).⁵⁵ However, in early 2020, the government terminated the contract with the company due to non-fulfilment of obligations; despite promises, a new tender has not yet been announced.⁵⁶

⁵¹ Iron Silk Road. <http://mkr.ge/en/>

⁵² On-going Projects. Construction of Anaklia Deep Sea Port. Ministry of Economy and Sustainable Development of Georgia. <http://www.economy.ge/?page=projects&s=31&lang=en>

⁵³ Tkeshelashvili, Shota. *In 2020, the cargo turnover of Georgian ports has decreased*. Bm.ge, February 11, 2021. <https://bm.ge/ka/article/2020-wels-saqartvelos-portebis-tvirtbrunva-shemcirda/75577>

⁵⁴ Port Statistics. Port of Klaipeda. <https://www.portofklaipeda.lt/port-statistics>

⁵⁵ On-going Projects. Construction of Anaklia Deep Sea Port. Ministry of Economy and Sustainable Development of Georgia. <http://www.economy.ge/?page=projects&s=31&lang=en>

⁵⁶ *Georgian Govt Terminates Contract with Anaklia Development Consortium*. Civil.ge, January 9, 2021. <https://civil.ge/archives/333770>

Construction of the port of Anaklia was of strategic importance for the development of Georgia, and many analysts referred to it as the “most strategic” or “century” project. The inconsistent and in some cases vague decisions of the government were criticized by the Western partners, who noted that the Georgian government had made insufficient efforts to implement this project of great economic and political importance.⁵⁷

Energy supplies and connectivity

Georgia is well aware that energy in the hands of Russia may become a tool of political pressure. In a cold January of 2006, a high-voltage power line and two gas pipelines in the North Caucasus were deliberately blown up, putting Georgia under a complete energy blockade.⁵⁸ This is how Vladimir Putin wanted to punish Georgia for its intensifying integration with the West. At present, Georgia has diversified its energy market, and Russia’s share in energy has been sharply reduced. Nevertheless, it is too early to talk about eliminating Russia’s influence on Georgia’s energy sector.

At present, the construction of more than 70 hydropower plants has been suspended in Georgia.⁵⁹ Georgia is very rich in hydropower resources and has the potential not only to meet its own energy needs but also to export in the face of growing electricity demand. The budget to cover the electricity deficit in the last ten years has already exceeded \$1.1 billion. If large hydropower plants are not built, by 2030, it will be necessary to pay \$600 million annually to address electricity shortage.⁶⁰ Unfortunately, these multi-billion-dollar investment projects have been halted due to systematic resistance campaigns by civic groups on the ground and other reasons. The most notable

⁵⁷ Secretary Mike Pompeo Reaffirms Strategic Partnership in Meeting PM Bakhtadze. Civil.ge, June 12, 2019. <https://civil.ge/archives/308115>

⁵⁸ Mchedlidze Kakha. *How electricity is distributed in conditions of energy shortage*. Radio Free Europe/Radio Liberty, January 26, 2006. <https://www.radiotavisupleba.ge/a/1545282.html>

⁵⁹ Gazdeliani, Eka. *What we know about stalled energy projects*. Business Feed, June 10, 2021. <https://businessfeed.ge/ra-vitsith-gacherebul-energoproeqtebze/>

⁶⁰ Mgebrishvili, Viktoria. “It is important to restore the PPA mechanism for the construction of generation facilities” - what business demands. Business Media Georgia, November 27, 2021. <https://bm.ge/ka/article/2030-wels-arsebuli-elenergiis-deficiti-rom-sheivsos-minimum-3-engurhesi-unda-ashendes---nukamshvidobadze/96302>

has been the recent case of the Georgian government opting out of the agreement with the Turkish firm ENKA to develop the Namokhvani hydropower plant, an 800-million-dollar investment.⁶¹ At the moment of writing this article, the government has failed to protect the legitimate interests of the company that won the government's tender, and the government could not even prevent the illegal actions⁶² taken by protesters. Georgia could be fined hundreds of millions of dollars for the failed project, but deterioration of investment climate will be an even greater loss. Such events serve Russia's interest and will not allow Georgia to completely break free from Russia's energy market.

Georgia has gas pipeline connections with Armenia, Azerbaijan, Russia, and Turkey, and it has oil connections with Azerbaijan and Turkey, as well as a Black Sea oil terminal in Supsa (Georgia). Georgia imports natural gas from Azerbaijan and Russia, and it transits gas from Russia to Armenia and from Azerbaijan to Turkey. Georgia's oil product imports come from Azerbaijan and Russia, and it transits crude oil from Azerbaijan to Turkey. More gas imports reach Georgia from Azerbaijan by way of the South Caucasus Pipeline, which transports gas from the Shah Deniz field parallel to the route of the Baku-Tbilisi-Ceyhan crude oil pipeline from Azerbaijan through Georgia to Turkey.⁶³

To sum up, although Georgia's existing infrastructure and development potential presents numerous opportunities, there are also challenges. For example, **Georgia needs to liberalize the energy market, invest in hydropower plant development, and set up its own natural gas storage facility. It also needs to improve its investment climate, following the suspension of the Anaklia port and Namokhvani hydropower plant projects – that will require a lot of effort and a smart strategic communications approach.**

⁶¹ *Watchtowers in the Rioni Valley*. Radio Free Europe/Radio Liberty, February 19, 2021. <https://bit.ly/3rLSRq9>

⁶² *What happened in Namakhvani or 3 aspects of the difficult situation obtained during the 1-year "struggle" - Irakli Eradze*. Bm.ge, September 30, 2021. <https://bm.ge/ka/article/ra-moxda-namaxvanshi-anu-1-wliani-brdzolit-migebuli-mdzime-mdgomareobis-3-aspekti-irakli-eradze-/92151>

⁶³ Georgia Energy Profile. International Energy Agency. <https://www.iea.org/reports/georgia-energy-profile/energy-security>

Digitalization and connectivity

Georgia is one of the few countries where the right to access the internet and to use the internet freely is constitutionally recognized. According to the Freedom House report, Georgia is considered a free country in terms of internet freedom (77 points) and stands next to such countries as Italy (76), Japan (76), France (78), Great Britain (78), and USA (75).⁶⁴

Georgia is connected to Europe via Bulgaria by a submarine fiber-optic cable that transits internet traffic from Europe to the South Caucasus and the Caspian Region.⁶⁵ In addition, the Government of Georgia is considering the possibility of building an underwater power transmission and internet cable with Romania, which will be extremely important news in terms of the development of both energy and communication systems.⁶⁶ Georgia is also looking to become a telecommunications traffic exchange corridor between Europe and Asia. Currently, there are ongoing negotiations with a variety of telecommunications operators to establish service delivery points and data centers in Georgia. This will also contribute to more competitive pricing of internet services.⁶⁷

A good precondition for the efficient and secure development of Georgia's digital services is the Memorandum of Understanding between Georgia and the United States on 5G technologies, on the basis of which Georgia became a member of the US-initiated Clean Network line.⁶⁸

⁶⁴ Internet Freedom Scores. Freedom House. <https://freedomhouse.org/countries/freedom-net/scores>

⁶⁵ Caucasus Online. <http://www.co.ge/en/441/>

⁶⁶ Vachnadze, Mariam. *Project and perspective of high voltage cable going to the bottom of the Black Sea for Georgia*. Business-partner.ge, March 22, 2021. <https://business-partner.ge/energetika/shavi-zghvis-fskerze-gamavali-maghali-dzabvis-kabelis-proekti-da-perspektiva-sakartvelostvis>

⁶⁷ Projects. Fiber-Optic Cable Infrastructure between Europe and Asia. Ministry of Economy and Sustainable Development of Georgia. <http://www.economy.ge/?page=projects&s=18&lang=en>

⁶⁸ U.S. Under Secretary: *by joining Clean Network Lines, Georgia strengthens position to become member of NATO, EU*. Agenda.ge, January 15, 2021. <https://agenda.ge/en/news/2021/109>

Georgia will be particularly interested in the experience of Three Seas Initiative countries in terms of developing digital technologies and at the same time maintaining high security standards.

Since 2006, Georgia has systematically improved its e-governance system. The Unified Portal of Electronic Services provides citizens and businesses with much-needed access to electronic services, covering a range of areas from applying for IDs and passports to registering a new company or a land title.⁶⁹ Increased e-governance also calls for more regulation for security; Georgia is updating its national Law on Information Security and introducing new approaches to personal data protection.⁷⁰ According to the National Cyber Security Index (April 2021 update), Georgia excels in the areas of protection of personal data, cyber incidents response, and fight against cybercrime.⁷¹

THE CIVIL SOCIETY FORUM OF THE THREE SEAS INITIATIVE

At the 2021 Three Seas Initiative Summit and Business Forum in Sophia, Latvia's President Egils Levits announced that the next gathering of the Three Seas Initiative in Riga would feature a Civil Society Forum. This will be the first conference of civil society representatives in the Three Seas Initiative format. The participation of Georgia will be a unique opportunity to discuss opportunities and challenges for Georgia's engagement with the Three Seas Initiative. **From an economic and political point of view, it is important for Georgia to become an integrated country of the democratic belt emerging from the west of Russia. Georgian civil society can also play an important role of promoting this understanding domestically.**

⁶⁹ Digital solutions transform Georgia's public sector. UNDP, February 11, 2021. <https://www.ge.undp.org/content/georgia/en/home/stories/electronic-services.html>

⁷⁰ *Ibid.*

⁷¹ National Security Index: Georgia. Updated April 2021. <https://ncsi.ega.ee/country/ge/>

An important topic on the Civil Society Forum's agenda will be democratic development, which is in turn linked to improvement of investment climate and economic development. As discussed in this article, the Georgian government has to make significant steps in this direction. Of equal importance is work with the wider society. Georgia is a largely conservative society where attitudes towards large-scale projects and innovations can be overly critical. A less informed society is an excellent breeding ground for hostile hybrid warfare by Russia. All large-scale projects focused on economic development in Georgia that mean closer integration with the democratic West will be under attack. Russia's direct interest is to hinder Georgia's development and rapprochement with Europe. To this end, Russia will try to create problems for large investors and promote failure of large-scale projects, and one of the covert ways to achieve this is by manipulation of public opinion.

The examples discussed earlier in this article – the Namokhvani hydropower plant and Anaklia deep sea port projects – are examples of a lack of understanding in the society on the importance of such strategic economic development. The cases are different, but both signify one trend: the society lacks information, while the government lacks strategy and political will. In the case of the Namokhvani hydropower plant, civil society played an active role in shutting down the project, but on the other hand, no civil society organization rang sufficient alarm bells about the consequences of such actions on Georgia's long-term development. In the case of the Anaklia deep sea port, civil society has ensured that there is sufficient public debate about the fact that the government has not delivered on its promise to announce a new tender for the development of this port and about whether the outcome of the tender should be considered a national security issue.

Due to complicated history, Georgia and other Three Seas Initiative countries do not have a long history of democratic governance. Hence, their civil society sectors need additional impetus to be more actively involved in supporting the strategic development directions of these nations. The Civil Society Forum in Riga will be an important step in this direction. On the one hand, the civil society can contribute by monitoring government

decisions and ensuring increased transparency and accountability. On the other hand, the civil society can help to ensure diverse and intensive communication with the wider society and particular interest groups to facilitate implementation of large, innovative, and strategic projects.



The civil sector can empower democracy, improve the investment environment, and, as a result, play an important role in the development of the country.

At the same time, the Forum will also provide an opportunity to form international networks and share best practices as well as address common challenges.

TWELVE PLUS THREE?

The foreign policy priority of Georgia, Ukraine, and Moldova is to join the EU. All three countries have bilateral partnerships with the Three Seas Initiative countries and, in some cases, distinctive and historically solid relations. Naturally, there is an expectation in these countries that their engagement with the Three Seas Initiative will be welcomed and facilitated. The strong determination of Georgia, Ukraine, and Moldova to seek partnership with the Three Seas Initiative has been affirmed at the highest level: the declaration adopted by Presidents Salome Zurbishvili, Volodymyr Zelensky, and Maia Sandu at the summit held in Batumi (Georgia) in the summer of 2021.⁷² The presidents of Ukraine and Moldova also expressed their interest in cooperation with the Three Seas Initiative during their meeting in Kyiv in early 2021.⁷³

⁷² Batumi Summit Declaration by the Heads of State Association Trio – Georgia, Republic of Moldova and Ukraine. June 19, 2021. <https://www.president.gov.ge/Files/ShowFiles?id=9891f418-4555-4295-bae9-7e286c14802f>

⁷³ Joint statement by President of Ukraine Volodymyr Zelensky and President of the Republic of Moldova Maia Sandu. President of Ukraine, January 12, 2021. <https://www.president.gov.ua/en/news/spilnazayava-prezidenta-ukrayini-volodimira-zelenskogo-i-pr-65993>

“**Ukraine, Moldova, and Georgia face systematic aggression from Russia, which manifests in the occupation and annexation of territories, hybrid war, energy blockades, trade embargos, and other hostile actions.**

It is in this difficult situation that these countries are trying to improve democracy and develop their economies. The Declaration of the Three Seas Initiative and Business Forum in Sofia in 2021 reads: “We remain open to collaborate with other regional and global actors with whom we share the same democratic values, the European and transatlantic orientation goals, and common interests. At the same time, we uphold our readiness to involve, based on consensus, non-Three Seas Initiative countries in implementing regional priority projects, developed under the Three Seas Initiative”.⁷⁴ For the three countries, the Three Seas Initiative means additional motivation to conduct reforms and an opportunity to develop economies in a closer integration with Europe, while also decreasing dependency on undemocratic countries or unions.

For Georgia in particular, the main political partners are Western democracies, but the main economic partners have turned out to be countries that are considered as regional and global threats by the West. In such a strange situation, sustainable economic development will not be possible nor will security standards be raised. **Active and pragmatic cooperation with the Three Seas Initiative will help to balance out this difficult situation and will actually boost the economy and strengthen the country’s democratic development.** If Georgia does not receive a new, tangible boost for its closer integration with European countries in the near future, the democratic progress in Georgia may weaken. Let us hope that the Summit and Business Forum in Riga will be exceptionally successful in strengthening economic, political, and cultural ties between the Three Seas Initiative and Georgia, Ukraine, and Moldova, giving the three countries a real opportunity to strengthen ties with this unique club.

⁷⁴ Joint Declaration of the Sixth Summit of the Three Seas Initiative. 3seas.eu, July 9, 2021. <https://3seas.eu/event/joint-declaration-of-the-sixth-summit-of-the-three-seas-initiative>

THE LATVIAN TRANSATLANTIC ORGANISATION (LATO) IN ACTION

LATO

LATO is a non-governmental organisation established in 2000. Its aims are to inform the public about NATO and Latvia's membership in the Alliance, to organise informative public events about Latvian and Euro-Atlantic security issues, to promote partnerships with other countries, to lay the foundations for Latvia's international role as a member of NATO, and to foster the international community's understanding of Latvia's foreign and security policy aims. During the past 20 years, LATO has numerous achievements to be proud of. LATO organises the most influential security conference in the Baltic Sea region: The Rīga Conference facilitates discussion about issues affecting the transatlantic community and annually gathers international experts in foreign affairs and security/defence matters, policy makers, journalists, and business representatives. LATO promotes policy relevant research on topics such as gender equality, peace and security, resilience in the borderland, and the subjective perception of security. A series of various initiatives intended for increasing the interest of Latvian, Baltic and European youth in security related issues have been put in motion, including an annual future leader's forum and masterclasses for young political leaders. LATO's most recent project is the Secure Baltics platform, which serves as an information hub for those who are eager to join the debate on international security.

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SECURE BALTICS

LATO has launched a new internet platform SecureBaltics (www.securebaltics.eu). The site gathers different materials – policy briefs, discussions, interviews, studies, educational materials – created in the framework of the Rīga Conference, as well as work from our partners. It is a stable platform that the Rīga Conference community can rely on and use as a credible source of information in the region.

Purpose

The purpose of the platform is to collect the know-how that is generated by the excellent minds gathered at the Rīga Conference on an annual basis. The Rīga Conference gathers regional and international experts in foreign policy and defence, academics, journalists, and business representatives by promoting the discussions on issues affecting the transatlantic community. It has been growing in influence since its inception in 2006.

Every year, for two days the National Library of Latvia is the centre of the most important regional discussions on security issues. However, it is not enough to engage in these discussions only once a year. Therefore, LATO developed SecureBaltics as a practical tool which can encourage the use of any resources and materials that have been produced as part of the Rīga Conference or its follow-up events.

Reach

The platform tries to provide materials in both, English and Latvian, in order to reach multiple audiences. It is intended for the traditional Rīga Conference community of opinion leaders and experts in foreign policy and defence matters as well as any other interested parties that could benefit from the generated materials such as high school teachers looking for study materials.

Vision

LATO hopes that SecureBaltics will become the go-to hub for resource associated with defence and security issues in the Baltics within the next few years.

Materials

The platform SecureBaltics provides resources:

- For all interested parties, including expert community, in the form of interviews, policy briefs, commentaries on topical issues
- For teachers and lecturers in the form of study materials and tests that can be included in academic curriculum
- For students in the form of lectures and study materials, as well as interactive study materials through games.

Partners

The SecureBaltics portal is supported by the Ministry of Foreign Affairs of the Republic of Latvia and the Ministry of Defence of the Republic of Latvia.

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