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# Georgia 2016

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## Summary

The 2008 war with Russia over the breakaway territory of South Ossetia was one of the first signs of a new, more assertive foreign policy from Russia. But since then attention has been turned away from this small country in the South Caucasus and its 'frozen conflict'.

Georgia has continued to pursue a pro-Western path despite Russian opposition and has been relatively successful at enacting reforms to improve its governance and economy. Although there are some problems with the protection of human rights, Georgians have been able to exercise real choice at elections and the media are lively.

Russia has continued to apply pressure to Georgia, and the South Ossetia and Abkhazia conflicts are still very much alive. Georgia complains of "creeping annexation" of its territory.

Georgia holds parliamentary elections in October 2016. The winners will probably remain committed to a pro-Western course. Many observers think, however, that Georgia could use some support from Western allies.

# 1. Background

Georgia is a small country on the south side of the Caucasus Mountains. It is largely Christian, and right on the border between Europe and Asia and between predominantly Muslim and Christian regions, and this has made it strategically important; Georgia has often been dominated by larger regional powers: Turkey, Persia and Russia.

Georgia gained its independence from the Soviet Union in 1991, the first of the Soviet Republics to do so. In 1991 the first presidential election was held and Zviad Gamsakhurdia, a leader of the nationalist movement, was elected. In 1992, armed groups loyal to the opposition leader, former Soviet foreign minister Eduard Shevardnadze, shook the government's control of the capital Tbilisi and Gamsakhurdia fled the country.

Shevardnadze was appointed leader of the country by a military council and went on to win elections in 1995 and 2000.

The 'Rose Revolution' took place in 2004, with demonstrations against the alleged electoral malpractices of the Shevardnadze Government. Mikheil Saakashvili was elected president in 2004 and again in 2008.

In 1989 the population was 5,400,841 but this had declined to 4,371,535 by 2012, a figure that excludes the breakaway areas of Abkhazia and South Ossetia.<sup>1</sup>

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<sup>1</sup> National Statistics Office of Georgia, compiled in Country Statistics (Georgia), in Europa World online

## 2. Politics and government

### 2.1 Saakashvili

The Saakashvili government proved effective at improving the business climate and fighting low-level corruption, and embarked on a strongly pro-Western strategic course.

As his leadership went on, however, he showed increasingly authoritarian tendencies.

### 2.2 Presidential election 2013 and subsequent developments

The billionaire businessman Bidzina Ivanishvili established the Georgian Dream party in 2012, beating Mikheil Saakashvili's United National Movement at the 2012 legislative election with 55% of the vote, against UNM's 40%.<sup>2</sup>

At the October 2013 presidential election Giorgi Margvelashvili of Georgia Dream achieved a clear mandate with 62% of the vote, his nearest rival getting about 22%.

The OSCE fielded an observer mission at the invitation of the Georgian authorities, which produced a generally favourable report on the process:

The 27 October presidential election was efficiently administered and transparent, and took place in an amicable and constructive environment. During the election campaign, fundamental freedoms of expression, movement, and assembly were respected and candidates were able to campaign without restriction. The media was less polarized than during the 2012 elections and presented a broad range of viewpoints. On election day, voters were able to express their choice freely.<sup>3</sup>

A picture of gradual improvement in the Georgian democratic environment emerges from the report but there were some complaints of vote-buying and other irregularities.

The election was followed by new appointments to several cabinet posts, mainly from the new President's Georgian Dream/Democratic Georgia coalition. The new Prime Minister was Irakli Garibashvili.

In November 2013, Bidzina Ivanishvili officially left politics, although some suspected a continuing role behind the scenes.

#### **Prosecutions of Saakashvili-era politicians**

There was also a flurry of summonses and prosecutions of public figures from the Saakashvili government for various crimes, including the misappropriation of public funds. Former Prime Minister Vano Merabishvili was convicted in 2014. Former president Mikheil Saakashvili was summoned to return from the USA, where he had taken up a

End of the  
Saakashvili era

<sup>2</sup> Georgia, in Europa World online. London, Routledge

<sup>3</sup> OSCE/ODIHR, [GEORGIA PRESIDENTIAL ELECTION 27 OCTOBER 2013, Election Observation Mission Final Report](#), 14 January 2014

teaching post. The authorities wanted his co-operation in connection with various cases. He said refused to comply. The US and the EU reacted with concern to the summons. The State Department said:

...launching multiple simultaneous investigations involving a former president raises legitimate concerns about political retribution, particularly when legal and judicial institutions are still fragile.<sup>4</sup>

It was not only members of the former government that were in trouble with the law, however. The Georgian Dream Prosecutor General, Otar Partskhaladze, resigned in December 2013 after the revelation that he had a previous criminal conviction in Germany. He had only been in post for six weeks.

## 2.3 Government crisis autumn 2014

In November 2014, the Prime Minister dismissed the Defence Minister Irakli Alasania after disagreements over an inquiry into alleged corruption at the Defence Ministry. The Foreign Minister and the Minister for European and Euro-Atlantic integration walked out in sympathy. Alasania's party, Our Georgia-Free Democrats, withdrew from the governing Georgia Dream coalition in response and, with 10 deputies having left the Georgian Dream coalition, the government lost its clear majority in the parliament.

The crisis showed up the disparate nature of the coalition, whose main reason for existence was to defeat former President Mikheil Saakashvili. Those who left the coalition are broadly in favour of quicker integration with the EU and NATO. The Prime Minister is in favour of balancing approximation with the West with maintaining relations with Russia.<sup>5</sup> The outgoing ministers of defence and foreign affairs warned that Georgia's pro-Western trajectory was in danger.

Western trajectory

On 23 December 2015 Garibashvili unexpectedly resigned as Prime Minister. Giorgi Kvirikashvili was appointed as his successor, leading a largely unchanged government.

Commentators suggested that these upheavals marked the beginning of the campaign for the 2016 parliamentary elections; Alasania is a popular and photogenic figure, suspected of presidential ambitions.

## 2.4 Parliamentary elections October 2016

In October 2016 Georgians will elect the 150-member parliament through a mixed electoral system, with 77 seats to be distributed proportionally and 73 single-member constituencies.

The OSCE's Office for Democratic Institutions and Human Rights expressed general satisfaction with voter registration and the

<sup>4</sup> ['Misha summoned'](#), *Economist*, 27 March 2014

<sup>5</sup> ['Crisis Upsets Georgia's Political Balance, Perhaps For The Better'](#), *Radio Free Europe/Radio Liberty*, 26 November 2014

preparatory work of the Central Electoral Commission in a report issued in July 2016.<sup>6</sup>

The Georgian Dream coalition holds a majority of seats in the existing parliament, after winning more than half of the votes in the 2012 parliamentary election. The United National Movement is the main opposition party.

The popularity of Georgian Dream has flagged in recent months, as its lack of ideological unity, especially without the uniting figure of Bidzina Ivanishvili, has become more obvious. The election is still expected to be quite close. Their conduct will be an important pointer to the future of Georgia's democratic push – one of the few pro-Western and pro-democratic policies to have had much success in the region.

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<sup>6</sup> Office for Democratic Institutions and Human Rights, [Georgia Parliamentary Elections 2016, OSCE/ODIHR needs assessment mission report](#), 2016  
26–29 April 2016

## 3. Breakaway territories

After battles with Georgian armed forces in the early 1990s shortly after the Soviet Union had collapsed, two areas of Georgia broke away to form their own largely unrecognised states under the tutelage of Russia.

### 3.1 South Ossetia

South Ossetia has been separated, *de facto*, from the rest of Georgia since 1992. In 2008 there was a short war between Russia and Georgia, when Georgia after alleged provocations from the Russian side, launched attacks on the enclave. The 2008 conflict was one of the first manifestations of a more assertive foreign policy from Russia.

A six-point ceasefire plan was agreed after negotiations between the French EU presidency, Russia and Georgia. The parties agreed:

1. No recourse to use violence between the protagonists.
2. The cessation of hostilities.
3. The granting of access to humanitarian aid.
4. The return of Georgian armed forces to their usual quarters.
5. Russian armed forces to withdraw to the positions held before hostilities began in South Ossetia. Russian peacekeepers to implement additional security measures until an international monitoring mechanism is in place.
6. The opening of international discussions on the modalities of security and stability of South Ossetia and Abkhazia.<sup>7</sup>

### EU action

An EU monitoring mission (EUMM) was established in 2008,<sup>8</sup> to contribute to stabilising Georgia and the surrounding region.

The EU's position is that Georgia should work to minimise the negative effects of the 'frozen conflict' situations in South Ossetia and Abkhazia, rather than increasing conflict with a view to forcing the enclaves back into Georgian control.

The EU has called on the Georgian government to:

- participate constructively in the Geneva International Discussions<sup>9</sup>
- engage more with the breakaway regions
- encourage trade, education, travel and investment across the administrative boundary line

<sup>7</sup> ['Background: Six-point peace plan for the Georgia-Russia conflict'](#), *Deutsche Presse Agentur*, 15 August 2014

<sup>8</sup> [COUNCIL JOINT ACTION 2008/736/CFSP of 15 September 2008 on the European Union Monitoring Mission in Georgia, EUMM Georgia](#)

<sup>9</sup> The Geneva International Discussions address the consequences of the 2008 conflict in Georgia. They are chaired by the OSCE, the EU and the UN. Representatives from Tbilisi, Tskhinvali (South Ossetia) and Sukhumi (Abkhazia), as well as Moscow and Washington take part in the discussions. The latest round of these talks took place on 18 June 2014, where the [OSCE called for increased dialogue](#).



- review the law on occupied territories
- and continue close cooperation with EU Monitoring Mission.<sup>10</sup>

Russia and the self-proclaimed Republic of South Ossetia signed a border treaty in 2015 and negotiations between the two should begin in 2017 of formal border demarcation between the Russian Federation and South Ossetia.

In July 2015 Russian troops in South Ossetia moved border markers extending the administrative boundary of South Ossetia further into Georgian territory. This brought a section of the Baku–Supsa oil pipeline within the South Ossetian-administered area. The Georgian Government described it as ‘a policy of creeping annexation’ of Georgian territory on the part of Russia, although the EU congratulated Georgia on its restrained reaction.<sup>11</sup> Nevertheless, the border is moved further into Georgia regularly, truncating Georgian farmers’ land, and abductions often take place.<sup>12</sup>

Creeping annexation?

In 2016, the International Criminal Court announced that it would investigate possible war crimes during the 2008 Russia-Georgia war. It would be the court’s first investigation into events outside Africa.<sup>13</sup>

## 3.2 Abkhazia

Abkhazia broke away from the rest of Georgia in 1993, after mounting inter-ethnic tensions were in evidence, partly stoked up by pro-independence nationalist politicians such as Gamsakhurdia. After a short war with Georgian forces, Abkhazia declared itself independent and many ethnic Georgians left the region.

In November 2014, Russia announced that it had concluded a treaty with the breakaway republic of Abkhazia. The treaty on ‘alliance and strategic partnership’ was initially proposed by Russia and sets out objectives including:

- A ‘coordinated’ foreign policy
- A ‘common defence and security space’
- A ‘common social and economic space’
- Assisting Abkhazia in social-economic development.<sup>14</sup>

Opposition parties in Abkhazia protested against the treaty, saying that elements of it threatened Abkhazia’s claimed sovereignty.

NATO Secretary General Jens Stoltenberg said that NATO did not recognise the treaty:

<sup>10</sup> European Commission, [ENP progress report, 2013 – Georgia](#), 27 March 2014

<sup>11</sup> [‘EU condemns Russia over ‘creeping annexation’ of Georgia’](#), *Daily Telegraph*, 16 July 2015

<sup>12</sup> Paul Salopek, [‘Vladimir Putin’s Mysterious Moving Border’](#), *Politico*, 3 April 2016

<sup>13</sup> [‘ICC to investigate alleged war crimes in South Ossetia conflict’](#), *Agence France presse*, 27 January 2016

<sup>14</sup> [‘Moscow, Sokhumi Endorse Final Text of New Treaty’](#), *Civil.ge Daily News Online*, 22 November 2014

This so-called treaty does not contribute to a peaceful and lasting settlement of the situation in Georgia. On the contrary, it violates Georgia's sovereignty and territorial integrity and blatantly contradicts the principles of international law, OSCE principles and Russia's international commitments.

We continue to call on Russia to reverse its recognition of the South Ossetia and Abkhazia regions of Georgia as independent states and to withdraw its forces from Georgia.<sup>15</sup>

Georgian Prime Minister Irakli Garibashvili called the treaty 'another step towards annexation' by Russia of Abkhazia and called on the West to reject the treaty.<sup>16</sup> Russian Deputy Foreign Minister denied the accusations: "There can be no question about any annexations."<sup>17</sup>

Sporadic violence continues: earlier in 2016, a border guard from Russian-controlled Abkhazia fatally shot a Georgian man at a crossing point.

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<sup>15</sup> ['Statement by NATO Secretary General on the so-called treaty between the Abkhazia region of Georgia and Russia'](#), NATO press release, 24 November 2014

<sup>16</sup> ['Georgia calls on west to condemn Abkhazia treaty with Russia'](#), *Financial Times*, 25 November 2014

<sup>17</sup> ['Russia Says 'No Question' About Annexations Of Abkhazia, South Ossetia'](#), *Radio Free Europe/Radiop Liberty*, 26 November 2014

## 4. Western integration

Polls have consistently shown that most Georgians want to see their country integrated with the West. In February/March 2016 the US National Democratic Institute found that 77% of Georgians wanted to join the EU and 68% were in favour of NATO membership.<sup>18</sup> In the same survey, 20% supported Georgia joining the Russian-backed Eurasian Union.

77% of Georgians  
'favour EU'

With the conflict in Ukraine uppermost in most people's minds, Georgia's problems with its giant northern neighbour have taken a lower international profile. But even though the Georgia Dream government took a more conciliatory line towards Russia than the previous government, headed by Mikheil Saakashvili, the Russian strategy still appears to be one of destabilising Georgia, to try to get a change of direction from the government.

One Georgian commentator argued in 2015 that the West risks losing Georgia's allegiance:

With Armenia already firmly within the Russian orbit through its Eurasian Economic Union membership and Azerbaijan reheating its relations with Moscow, Georgia remains the West's last serious toehold in the South Caucasus. Georgia's loss, therefore, would in essence signify the transfer of the region, with its substantial energy transit potential and geopolitical significance, to the Russian sphere of influence.<sup>19</sup>

Other commentators have argued that democracy is in retreat in the region and that while Georgia is delivering pro-Western reforms, "Georgia's Western friends also need to deliver."<sup>20</sup>

With the Ukraine conflict intractable and attentions distracted by the horrors of Syria, dramatic shows of Western support for Georgia may be unlikely, however.

### 4.1 EU

It is Georgian Government policy to join the EU. Georgia is not, however, an official candidate for membership. Countries in the Western Balkans, plus Turkey, are candidates, but many commentators think that any further EU enlargement will be slow, given the political climate in existing member states.

Georgia initialled an Association Agreement at the Vilnius EU summit in 2013 and signed it on 27 June 2014. On signing the agreement Georgian Prime Minister Irakli Garibashvili said that it was a historic day for his country:

Association  
Agreement

It is very difficult to express in words feelings I am experiencing now. I am sure that everyone has this emotion in my country.

<sup>18</sup> [Public attitudes in Georgia](#), Results of a March 2016 survey carried out for NDI by CRRG Georgia

<sup>19</sup> George Mchedlishvili, '[West Will Rue Ignoring Russia's Moves into Georgia](#)', Chatham House, 20 July 2015

<sup>20</sup> Dennis Sammut and Joseph D'Urso, '[Georgia's Western Turn](#)', *Foreign Affairs*, 21 September 2016

Today Georgia is given a historic chance to return to its natural environment, Europe, its political, economic, social and cultural space.<sup>21</sup>

The Georgian parliament ratified the agreement on 18 July 2014,<sup>22</sup> and it came into force on 1 July 2016.<sup>23</sup> The Association Agreement commits Georgia to respect the principles of democracy and human rights.<sup>24</sup>

The Russian leadership fears that the Association Agreement may be the first step on a long road to NATO membership and therefore is against Russia's strategic interests. Neighbouring Armenia signed up for Russia's rival Eurasian Economic Union after much controversy in October 2014. Commentators fear that Russia may retaliate against Georgia's policy of EU integration, damaging Georgia's trade, much of which is with Russia, or restricting energy supplies.

### Visa liberalisation

One of the most tangible benefits for Georgians of closer relations with the EU is visa liberalisation. A visa facilitation agreement came into force in March 2011, simplifying the process and cutting the price for Georgian travellers. In 2012, discussions started on removing the requirement altogether, involving reforms by the Georgian government to improve its border controls and migration management systems.

In December 2015 the European Commission reported that Georgia had fulfilled all its commitments and approved the move to visa-free travel. In June 2016, the process was delayed, as fears about the situation in Ukraine (which was also in the process of agreeing visa-free travel with the EU) caused larger EU member states to apply the brakes.

In September 2016 a committee of the European Parliament lent its backing to the liberalisation. A final decision is still pending, however.<sup>25</sup>

### The Association Agreement and its implications for the Georgian economy

According to the European Commission, the Agreement will "significantly deepen political and economic ties between the signatories with a long-term perspective of closer political association and economic integration." As a result of the Agreement, Georgia will adopt many EU directives, a process which will entail a comprehensive reform programme in many areas of Georgian policy.

Improving hygiene standards in agriculture and harmonising regulations for industrial products are economic priorities.<sup>26</sup>

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<sup>21</sup> ['Georgia, EU Sign Association Agreement'](#), *Civil.ge*, 27 June 2014

<sup>22</sup> ['Georgia Ratifies EU Association Agreement'](#), *Radio Free Europe/Radio Liberty*, 18 July 2014

<sup>23</sup> ['EU-Georgia Association Agreement fully comes into force on July 1'](#), *Agenda.ge*, 24 May 2016

<sup>24</sup> EU-Georgia Association Agreement, [Title 1: General principles](#)

<sup>25</sup> ['EU moves closer to visa-free travel for Georgia, Ukraine may follow'](#), *Euractiv*, 6 September 2016

<sup>26</sup> EBRD, [Country Assessments: Georgia](#)

The process is likely to increase trade flows (both imports and exports) between Georgia and the EU and make Georgia a more attractive destination for foreign investors.<sup>27</sup>

The European Commission says that the removal of import duties worth €5.7m will help basic Georgian agricultural products in the EU market and that Georgian consumers will get better choice and quality.<sup>28</sup>

For Russia these agreements could pose risks for Georgian trade,<sup>29</sup> as Russia is now its fourth largest trading partner after the end of an embargo on wine and mineral water.<sup>30</sup> Russia has also threatened Georgia with 'defensive measures' if the implementation of the Association Agreement negatively affects Russia's trade.<sup>31</sup>

AA to damage Georgia-Russia trade?

## Brexit

Questions have been asked about the impact of the UK leaving the EU on countries such as Georgia, since the UK has traditionally encouraged EU enlargement. The government says that it will "continue to work closely with countries such as Georgia to bring them into the Euro-Atlantic family of nations."<sup>32</sup>

## 4.2 NATO

EU membership does not necessarily lead to NATO membership, which Russia strongly opposes for Georgia. Georgia held a non-binding referendum in which the public strongly backed NATO membership. But in April 2008, NATO member states at the Bucharest summit decided not to issue a Membership Action Plan for Georgia, although they declared that Ukraine and Georgia would eventually join: 'We agreed today that these countries will become members of NATO.'<sup>33</sup> Georgia made a significant contribution to NATO's ISAF mission in Afghanistan until 2014.<sup>34</sup>

Georgia "will become a member of NATO"

A Membership Action Plan has still not been agreed for Georgia, something that Georgian leaders regret. The Georgian parliament Speaker made a strong plea in January for an MAP to be issued at the September 2014 NATO summit, to be held in Wales, saying that failure to offer an MAP could undermine domestic stability. The then Prime Minister, Irakli Garibashvili, took a slightly different line when he said that if no MAP was issued that would not affect Georgia's European integration.<sup>35</sup>

<sup>27</sup> FCO Press Release, [PM signs agreements with Georgia, Moldova and Ukraine](#), 27 June 2014

<sup>28</sup> European Commission, [The EU's Association Agreements with Georgia, the Republic of Moldova and Ukraine](#), 23 June 2014

<sup>29</sup> [Guide to the EU deals with Georgia, Moldova and Ukraine](#), BBC website, 27 June 2014

<sup>30</sup> "Signing up for Europe", *The Economist*, 27 June 2014

<sup>31</sup> ["Russia threatens Georgia with "defensive measures" if AA impacts trade'](#), *Agenda.ge*, 26 June 2014

<sup>32</sup> [HC Deb 12 July 2016, c159](#)

<sup>33</sup> NATO, [Bucharest Summit Declaration](#), 3 April 2008

<sup>34</sup> NATO, [ISAF troop numbers and Contributions](#), June 2014

<sup>35</sup> ["Georgia Sets Sights On NATO Membership Action Plan"](#), *Radio Free Europe/Radio Liberty*, 16 January 2014

Despite the hiatus, NATO continues to work with Georgia on modernising its armed forces with a view to making them fit to operate in conjunction with other NATO members' militaries. In May 2016, US and UK troops participated in a joint military exercise with Georgian forces in Georgia.<sup>36</sup> The Russian Government said that the exercises were provocative and aimed at destabilising the region.

At the Warsaw Summit in July 2016 NATO made clear its continuing support for former Soviet states such as Georgia and Ukraine, and NATO has not ruled out Georgia's membership at some point. UK Defence Secretary Michael Fallon set out the Government's position in a parliamentary answer in July 2016:

Georgia is an enhanced opportunity partner of NATO and a package of measures is in place to strengthen defence co-operation between NATO and Georgia. We are playing a significant part in the training of the Ukrainian armed forces, building up their capacity to deal with the insurgency in eastern Ukraine and to reduce the number of casualties that they were suffering initially. As for future accession to NATO, we have made it very clear that there can be no shortcuts to NATO membership. There are criteria to meet, and any future applications require the unanimous consent of all the existing members. Equally, the accession of Montenegro sends a very clear message that nobody, and certainly not Russia, has any kind of veto on future membership.<sup>37</sup>

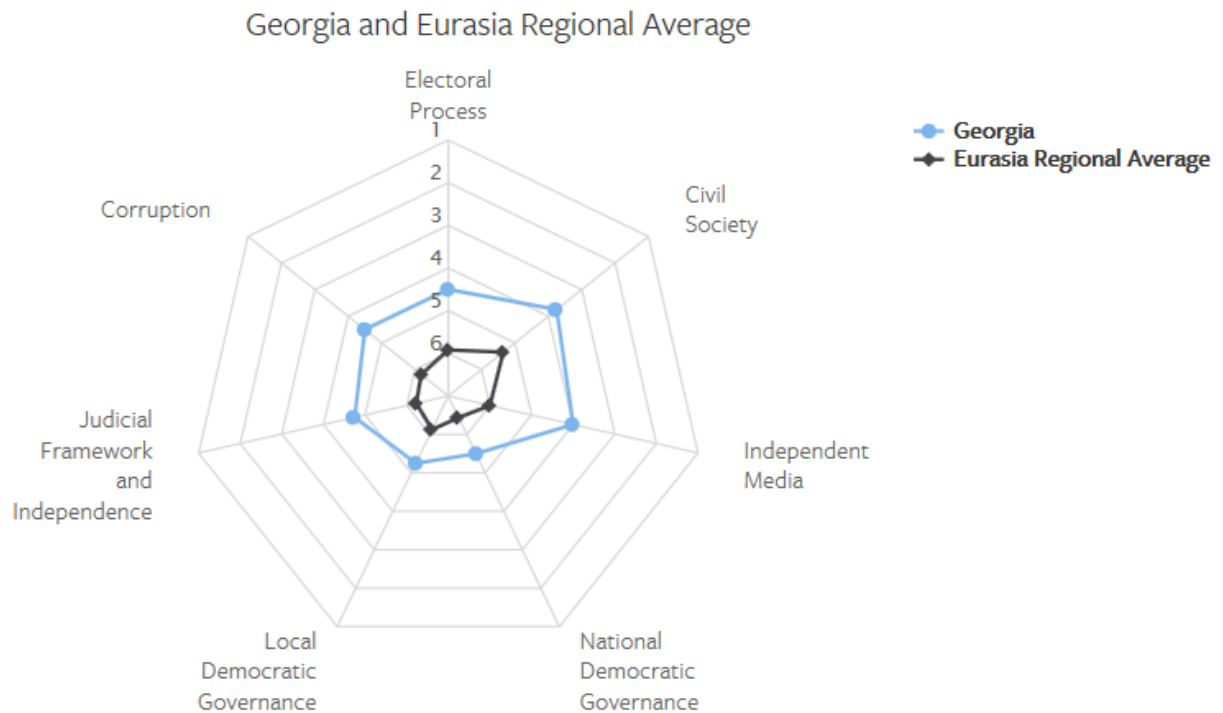
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<sup>36</sup> ['US and UK troops conduct Nato military exercises with Georgia in spite of Russia's protest'](#), *Daily Telegraph*, 11 May 2016

<sup>37</sup> [HC Deb 11 July 2016, c50](#)

## 5. Rule of law, governance and human rights

Georgia's progress on improving its democratic governance is significantly better than the regional average, according to Freedom House:



Each spoke of the spider graph represents one facet of democratic governance rated from 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The ratings reflect the period from 1 January through 31 December 2015.

Source: [Freedom House](#)

### 5.1 Corruption and organised crime

Georgia has continued the fight against corruption that was initiated with some success by the outgoing president, Mikhail Saakashvili. Saakashvili had cut petty regulations and operated a zero-tolerance policy towards bribes.<sup>38</sup> The ENP progress report says that more needs to be done, however, to detect and prosecute high level corruption. Georgia is ranked between Namibia and Saudi Arabia in [Transparency International's Corruption Perceptions Index 2015](#). It remains one of the better performers among former Soviet states and ranks some way ahead of Italy.

Georgian organised crime is a problem that affects not only the country itself but has also spread to Russia, Italy, Spain, France and elsewhere.

<sup>38</sup> ['Georgia's presidential election: after Saakashvili'](#), Transparency International, 25 October 2013

The Saakashvili government dedicated some effort to controlling it, but some reports suggest that that had the effect of spreading it outside Georgia's borders. There has been controversy about supervisory inmates in prisons, said to have connections with organised crime, who have organised disturbances. The new government says that it has the supervisors in prison under control.<sup>39</sup>

## 5.2 Separation of powers

One of the big questions has been over the independence of the judiciary. The EU has welcomed progress made towards de-politicising the judiciary.<sup>40</sup> However, as the country is moving from a semi-presidential system towards a more parliamentary system,<sup>41</sup> the country needs to do more, according to the EU. The EU also recommends more transparency in criminal prosecutions, to avoid any perception of politically-motivated trials.

## 5.3 Human Rights

In February 2013, the European Commission appointed Thomas Hammarberg, former Amnesty International Secretary General and also former Council of Europe Commissioner for Human Rights, as the EU's Special Adviser for Legal and Constitutional Reform and Human Rights in Georgia.<sup>42</sup>

The enactment of anti-discrimination legislation was one of the pre-conditions for Georgia's Visa Liberalisation Action Plan with the EU.<sup>43</sup>

International observers and Georgian minority organisations welcomed the draft anti-discrimination bill presented in early 2014. However, the government weakened some of its provisions, removing the role of anti-discrimination inspector and introducing a clause protecting the Georgian Orthodox Church.

At the same time, the Prime Minister proposed a constitutional change to prohibit same-sex marriage.<sup>44</sup> Much of the controversy over the anti-discrimination law revolves around sexuality. A gay pride march in Tbilisi in 2013 was attacked and gay rights groups had decided not to hold one in 2014.

In the 2016 election campaign, the proposed constitutional amendment on same-sex unions is one of the leading themes of the ruling Georgian Dream party's campaign. This is despite the fact that there is no

<sup>39</sup> ['Mafia has been contained, claims Georgia's prison minister'](#), Democracy and Freedom Watch, 23 August 2013.

<sup>40</sup> European Commission, [ENP progress report, 2013 – Georgia](#), 27 March 2014

<sup>41</sup> The Georgian constitution was amended in 2010 to reduce the powers of the president. The amendments came into force with the inauguration of President Margvelashvili in November 2013

<sup>42</sup> ['Statement by Commissioner Štefan Füle following his meeting with Mr Konstantin Kublashvili, the Chairman of the Georgian Supreme Court'](#), EU press release, 27 March 2013

<sup>43</sup> ['Georgia's Antidiscrimination Law Opposed By Church Comes Into Effect'](#), *Radio Free Europe/Radio Liberty*, 9 July 2014

<sup>44</sup> Amnesty International, ['The Georgian authorities should not water down the country's first anti-discrimination bill'](#), Public statement, 24 April 2014



provision for same-sex unions in Georgia and LGBT rights activists are not campaigning for it.<sup>45</sup>

The treatment of Georgians internally displaced from South Ossetia and Abkhazia has been criticised: some were forcibly evicted from the capital and re-located to rural areas. However, the EU's 2013 European Neighbourhood Policy progress report said that measures had been taken to improve their living conditions.<sup>46</sup>

Conditions inside Georgian prisons have also come in for criticism. 14 former prison officials were convicted of beatings and torture in 2013.<sup>47</sup>

In 2013, the government destroyed more than 181 hours of secret video recordings in its possession, usually of a sexual nature, mainly of opposition politicians, journalists and activists.

Some Christians have tried to prevent Muslims from gathering.<sup>48</sup>

There have been legal battles over the opposition-supporting TV network Rustavi 2, including allegations that government pressure was responsible for a string of TV programme changes in the run-up to the 2016 election, as ministers sought to bolster the flagging popularity of the Georgia Dream party.

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<sup>45</sup> '[LGBT rights at stake in Georgia election](#)', *EUObserver*, 23 September 2016

<sup>46</sup> European Commission, [ENP progress report, 2013 – Georgia](#), 27 March 2014

<sup>47</sup> Human Rights Watch world report 2014, [Georgia](#)

<sup>48</sup> '[Georgia Adopts Law on the Status of Religious Minorities](#)', *Social Science in the Caucasus*, 8 July 2011

## 6. Economy

### Macroeconomic profile

With a GDP of US\$16.5 billion, Georgia had the world's 118<sup>th</sup> largest economy in 2014.

The Georgian economy grew at an average rate of 5.8% between 2000 and 2014, though the average rate conceals considerable growth volatility over the period. Several years of double-digit growth in the mid-2000s were credited to sweeping economic reforms guided by reliance on the private sector for growth in a liberalized trade, investment, and business environment. These policies have met with considerable success – the World Bank recognized Georgia as one of the world's fastest reforming economies. Georgia has implemented far-reaching structural reforms, aimed at developing a competitive private sector as the main engine of growth, but it has only partially succeeded in improving the productivity, and thus the external competitiveness, of the private sector.<sup>49</sup>

In 2008, the economy was hit by the twin shocks of the armed conflict with the Russian Federation in August and the global financial crisis in September, which brought about a reduction in FDI and workers' remittances, a collapse in export demand, and a sharp contraction in bank lending. Damage to infrastructure, caused by the conflict, as well as disruption to activity in several sectors – including construction, trade, and tourism – also weakened growth.

Growth recovered in 2010 though has steadily declined since 2011. GDP grew by an estimated 2.8% in 2015, down from 4.6% in 2014, as recession in the Russian Federation and weakness in other trading partners slowed investment growth and reduced manufacturing, exports, and remittances.

On the supply side, growth in 2015 was driven by increases of 12.4% in construction and 13.7% in mining that offset a 2.8% decline in manufacturing. Industry overall rose by 3.3%. Services expanded by 3.0%, reflecting strong performance in finance and tourism, and agriculture grew by 2.8%. On the demand side, domestic demand was the main driver, with private consumption rising by an estimated 11.9%. Investment growth halved to 13.7% from nearly 28.0% a year earlier, reflecting in part a decline in foreign direct investment from the record set in 2014.<sup>50</sup> The IMF has forecast growth of around 2% in 2016 which will then increase to around 5% in 2017 – 2021.<sup>51</sup>

Recent recessions in the Russian Federation and Ukraine have contributed to a 25% decline in remittances. A rise in transit tourists including transit traffic raised tourism receipts.<sup>52</sup>

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<sup>49</sup> World Trade Organization, [Georgia – Trade Policy Review](#)

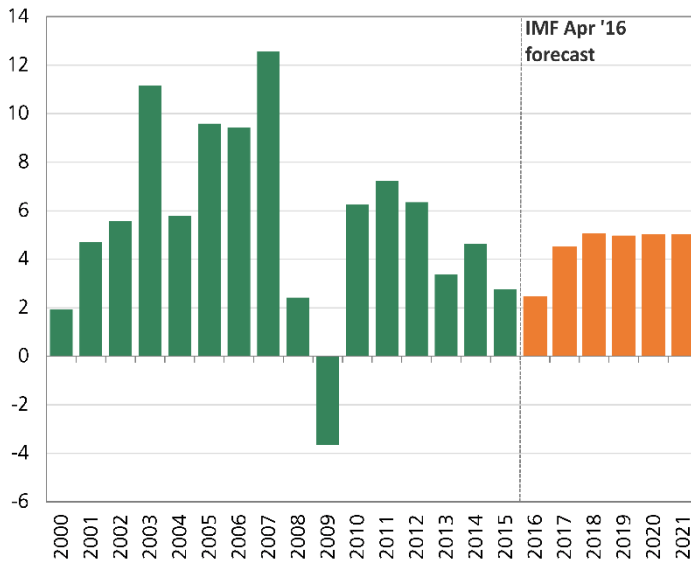
<sup>50</sup> Asian Development Bank, [Asian Development Outlook 2016](#) (March 2016) p97-100

<sup>51</sup> IMF, [World Economic Outlook Database \(April 2016\)](#)

<sup>52</sup> Asian Development Bank, [Asian Development Outlook 2016](#) (March 2016) p97-100

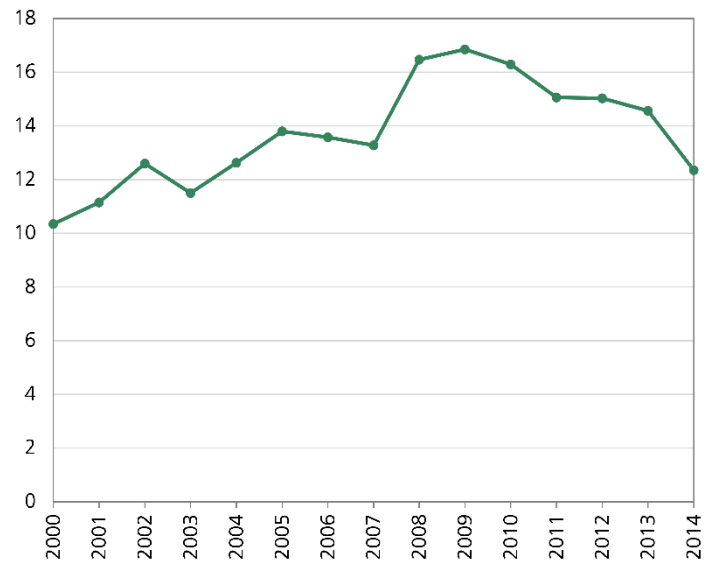
### Georgia - GDP growth

Annual % change



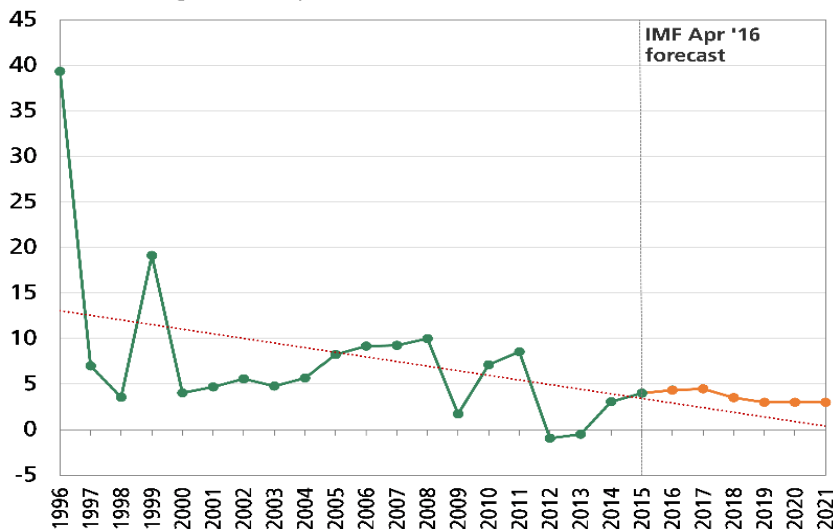
### Georgia - Unemployment rate (%)

Annual data and forecasts



### Georgia - Inflation (%)

Annual average consumer price increase



Source: IMF, [World Economic Outlook Database \(April 2016\)](#)

Unemployment rose throughout the 2000s but has since fallen from its 2009 peak of 16.9% to 12.4% in 2014. There has been a steady downward path of the long-term inflation trend since the mid-1990s. During the economic boom of the mid-2000s, inflation hovered between 5 and 10%. Georgia experienced slight deflation in terms of average consumer prices in 2012 and 2013, though this has since recovered to around 5%. The IMF expects consumer price inflation to stabilise around 3% in the next 5 years.

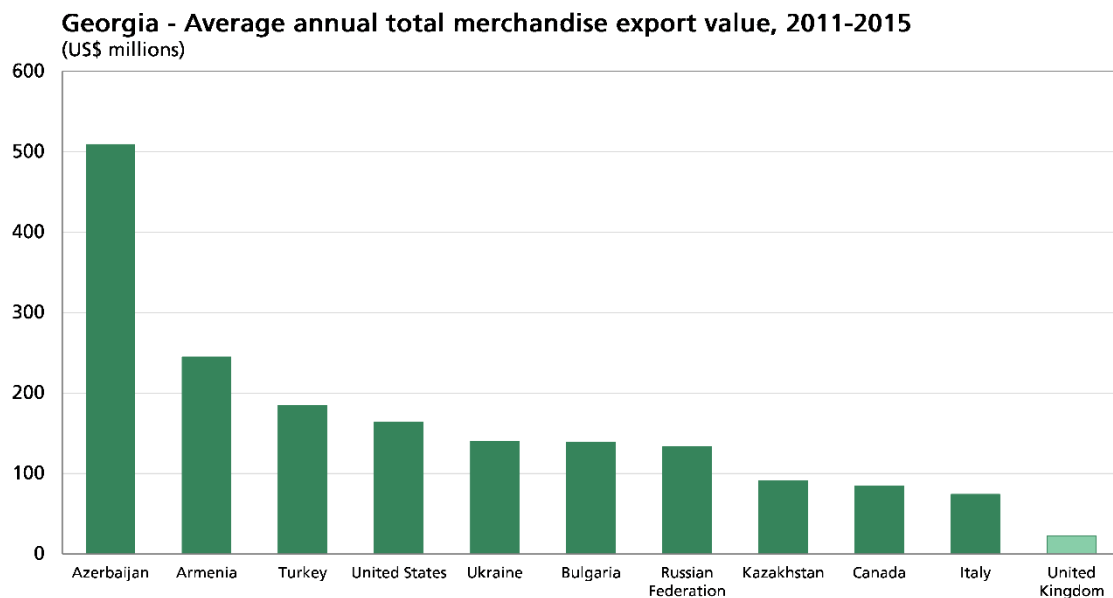
### International trade

In 2014, Georgia had a negative trade balance of US\$5.33 billion in net imports of goods (i.e. Georgia imported \$5.33 billion more in goods than it exported).<sup>53</sup> With weak external demand and continued sluggishness in regional growth, the net exports deficit worsened by 15.4% between 2014 and 2015. Recession in Georgia's main trading partners, including the Russian Federation and Ukraine, has seriously

<sup>53</sup> MIT, [Observatory of Economy Complexity](#)

affected external trade recently. The current account deficit remained sizeable in 2015 at an estimated 10.5% of GDP, down slightly from 10.6% in 2014, as a 20.9% drop in exports widened the trade deficit. Exports to the Russian Federation in particular fell by 40.7%, while vehicle re-exports (the export of imported vehicles after they have undergone further processing or manufacture) plunged by nearly 65%. Meanwhile, exports to the European Union rose by 3.6%. Imports fell by 15.2%, as the Georgian lari depreciated against some trading partners' currencies (while appreciating by 11.0% against the ruble).<sup>54</sup>

The chart below shows Georgia's ten largest export destinations and the total value of average annual merchandise exports to each of them between 2011 and 2015. By far the largest export destination is Azerbaijan, with US\$509 million in average annual exports over the period in question. The next largest recipient of Georgian exports (Armenia) received less than half that value with US\$245 million. The UK received an annual average of US\$22 million in Georgian exports –



its 22<sup>nd</sup> largest export destination.

Source: [UNCTAD Data Centre](#), accessed 27 September 2016

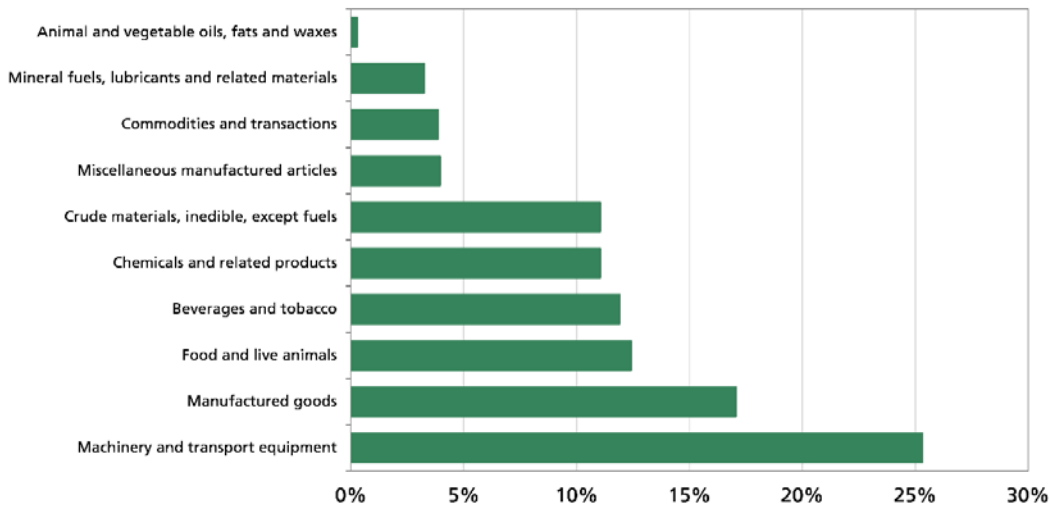
## Exports

In terms of types of products exported, the largest product group on average between 2011 and 2015 was 'Machinery and transport equipment', with an average export value of US\$634 million making up over a quarter of exports. Manufactured goods (US\$427 million, 17%), food and live animals (US\$311 million, 12%) and beverages and tobacco (US\$298 million, 12%) almost make up a considerable portion of exports.

<sup>54</sup> Asian Development Bank, [Asian Development Outlook 2016](#) (March 2016) p97-100

### Georgia - Types of exports (%)

Share of category in total exports



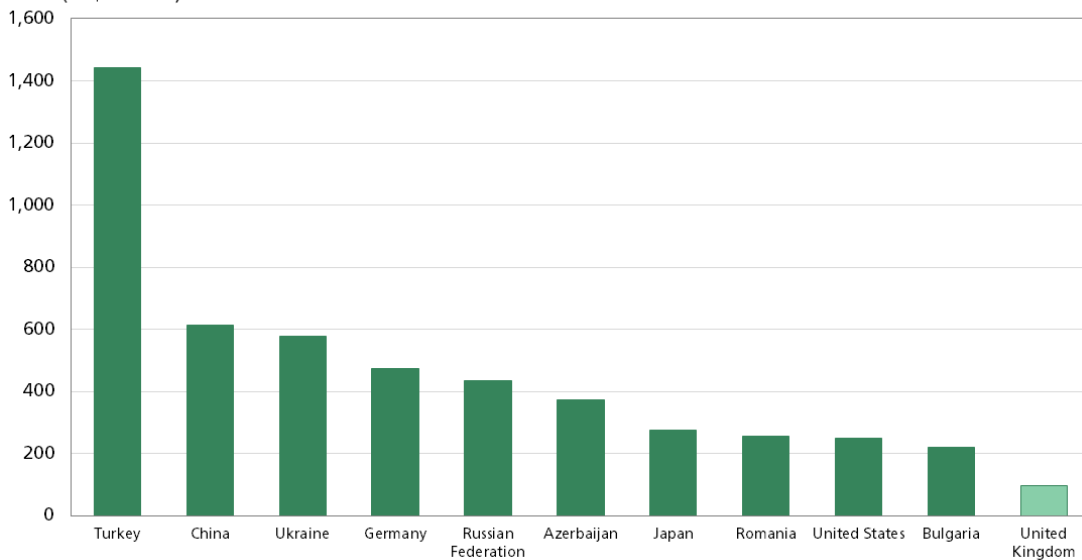
Source: [UNCTAD Data Centre](#), accessed 27 September 2016

### Imports

In terms of imports, Georgia’s largest partner is Turkey with an annual average of US\$1.6 billion between 2011 and 2015. At US\$96 million, average annual imports from the UK are of higher value than exports which points to a trade deficit with the UK of roughly US\$74 million.

### Georgia - Average annual total merchandise import value, 2011-2015

(US\$ millions)



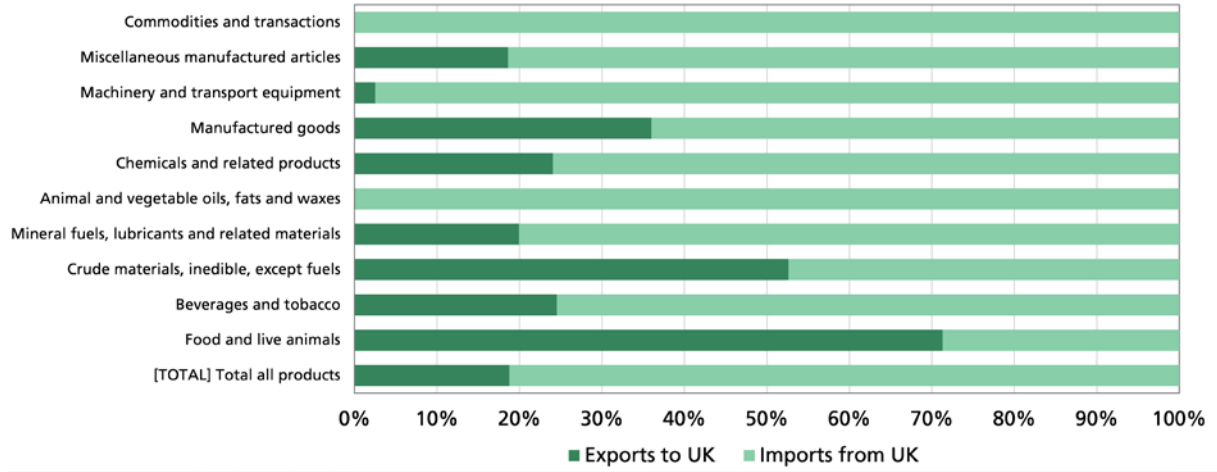
Source: [UNCTAD Data Centre](#), accessed 27 September 2016

### Trade with the UK

The chart below shows the composition of the trade deficit with the UK by the shares of exports/imports in total trade. For example, the annual average (2011-2015) of roughly US\$4.7 million that Georgia exported to the UK in manufactured goods accounted for 36% of total bilateral trade in that product category. The only product areas that Georgia had

a trade surplus with the UK were 'crude materials, inedible, except fuels' (53%) and 'food and live animals' (71%).

**Total trade between Georgia and the UK**  
*Shares of exports and imports in total trade by product category (%)*



Source: [UNCTAD Data Centre](http://unctad.org), accessed 27 September 2016

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