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Not EU's world? Putting Georgia's European Integration in Context

GIP Report 2018

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Abbreviations

AA	Association Agreement
ABL	Administrative Boundary Line
BRI	Belt and Road Initiative
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	Eastern Partnership
EEU	Eurasian Economic Union
ENP	European Neighborhood Policy
EUMM	European Union Monitoring Mission
FDI	Foreign Direct Investment
GD	Georgian Dream
TRACECA	Transport Corridor Europe-Caucasus-Asia
TITR	Trans-Caspian International Transport Route
UNM	United National Movement
WB	Western Balkans

Introduction

One of the main shortcomings of academic and policy-relevant studies that explore Euro-Atlantic integration processes in Georgia and in the other Eastern Partnership (EaP) states is the tendency towards EU-centrism – they focus exclusively on Western actors and analyze the European integration processes in the post-Soviet region from the bilateral perspective of European Union (EU) - EaP relations (see, for instance, EaP Index[1] or the majority of academic research). Meanwhile, recently it has become obvious that unlike Central and Eastern Europe (CEE) and the Western Balkans (WB), the post-Soviet area represents a mosaic of overlapping influences and the EU is not the only game in town. The EU is not alone in its efforts to incorporate post-Soviet states into its economic and political structures; Russia, through its regional integration projects, as well as Turkey, Iran and other actors are also trying to accomplish the same thing. Hence one cannot study the European integration processes of the EaP states in isolation from other regional integration processes. This report aims to fill this gap. It offers a more sophisticated analysis of integration processes in the post-Soviet area, based on the example of Georgia. It asks two main questions: How integrated/dependent has Georgia become on different regional and global actors over the past 25 years of its independence and how do the different integration schemes affect the process of Georgia's Euro-Atlantic integration. The two questions are interrelated. The answer to the question concerning Georgia's European integration may partly stem from the first question. Nevertheless a causal relationship between the two processes is not obvious: Georgia's European integration may or may not depend on Georgia's relations with other actors. Therefore, this report explores the extent that the multipolar external environment around Georgia actually impacts (the lack of) Georgia's European integration.

To do so, we analyse Georgia's relations with external actors and its participation in regional and global integrational projects in two dimensions: economic and political. The economic dimension includes Georgia's trade and investement dynamics with other countries as well as Georgia's overall economic integration with big regional and global actors. The political dimension includes relations with external actors in areas of national security and political cooperation or conflict. For an objective and precise picture we developed a catalogue of criteria and indicators that examine the country's dependency on external actors.[2] We measure economic dependency on external actors against five indicators: exports, imports, remittances and FDI as well as the exports of goods from vulnerable sectors. Political dependency is measured against six indicators: political and diplomatic assistance, friendly civil-military presence, hostile military presence, degree of political integration, organizational ties and ideological affinity of the ruling elite with the

[1] EaP Index. 2015. European Integration Index 2014 For Eastern Partnership Countries. Accessed March 15, 2015. http://www.eap-index.eu/sites/default/files/EaP%20Index%202014.pdf.

[2] Some of the indicators are taken from previous works by the authors of this report. For detailed information, see: Lebanidze, Bidzina. 2016. *"Bringing the puzzle together: Russia, EU and the post-Soviet democratic failure."* Free University Berlin, Berlin.

external actor.[3] We then discuss the economic and political dimensions of Georgia's dependency and integration with other states in great detail. In doing so we do not follow a rigid quantitaive structure; rather we focus on the most important issues that we consider to be central to Georgia's socio-political development. The results of the quantitative measurement are illustrated in graphs and discussed in the conclusions.

Overall, we can derive two main conclusions from our analysis to answer our research objectives. First, with regard to the first question on Georgia's dependency and integration with different external actors, our analyses show that Georgia, which is at the crossroads of competing integrational projects and overlapping influences, has managed to diversify its economic and political ties as much as possible. In theory, the multiplicity of options allows a country to be more flexible and cherry pick optimal integration schemes with different actors. However, the political experience of post-Soviet politics shows that small states find it very hard to be simultaneously engaged in multiple integrational processes. In the case of Georgia, the realization of flexible cherry picking is constrained by two factors: deteriorated relations with Russia and the declared goal of Euro-Atlantic integration by the Georgian government. These two conditions make Georgia the EU's client state by default, which weakens Georgia's flexibility and makes Georgia a passive receiver of the EU's rules and regulations. This is not necessarily a bad thing for Georgia's political and economic development, however.

With regard to the second question on how different integration schemes affect Georgia's European integration agenda, we can observe mostly negative trends. Hence, our analysis proves the main assumption of this report that, in contrast to the CEE and the WB states, the European integration of post-Soviet states takes on a different dialectic both in geographic and spatial terms. Integrational competition with Russia as well as the presence of other regional and global actors limits the EU's external integration capacity in various ways and slows down Georgia's integration into European institutional structures. Not only does Russia prevent Georgia's membership in NATO but, as recent evidence shows, even friendly authoritarian countries such as Turkey and Azerbaijan can negatively influence Georgia's engagement with Euro-Atlantic structures. The same can be said of other Eastern Partnership countries that are trying to join the EU but are stuck in the crossroads of competing integration projects.

Economic integration

Economy and trade seem to be the cornerstones of the majority of modern integrational projects. This is also true for the EaP countries, which gravitate between the competing regional integrational projects of the EU's European Neighborhood Policy (ENP) and EaP, Russia's Eurasian Economic Union (EEU), China's Belt and Road Initiative (BRI) and many others. Whereas some actors also draw on political means and military coercion, economic integration seems to be at the center of the majority of these projects. It is safe to say that geopolitics is being played out by economic means.[4] Therefore, we start

[3] See Annex for a detailed description of each of the indicator.

[4] On importance of economic factors in geopolitics, see: Luttwak, Edward N. 1990. From geopolitics to geo-economics: Logic of conflict, grammar of commerce. *The National Interest* (20): 17–23.

our analysis by exploring Georgia's economic and trade integration with regional and global actors. Georgia's economic relations with the outside world seem quite diversified. The Black Sea country has tight economic and trade bonds with four key players (states or groups of states): neighboring states, first of all Turkey and Azerbaijan, and to a lesser extent Armenia; Russia, which also borders Georgia but we treat it separately due to its special role in Georgia's post-Soviet development; the EU, which has become Georgia's new top partner in almost all economic and trade-related areas; and China – the most important newcomer in Georgia's economic environment.

The EU

Although geographically distant, the EU remains Georgia's main partner in almost all areas of economic and financial activities. Since 2002 the EU has cumulatively been the main market for Georgian exports and has since kept its position (with the exception of 2012 and 2013 when Azerbaijan briefly overtook EU as the main market, see figure 1). Azerbaijan briefly surpassed the EU in 2012 and 2013 mostly due to the reimport of used vehicles, however due to legislative changes in Azerbaijan the reexport of used cars has declined since then (Civil Georgia 2014). Unlike Azerbaijan and Russia, the EU is a more stable and sustainable market for Georgia and is not affected by political climate or quick legislative changes. Besides, EU-Georgia economic ties are backed by the Deep and Comprehensive Free Trade Agreement (DCFTA) which is thought to bind Georgia to EU's single market. Although the DCFTA did not have an immediate boosting effect, in the long term the EU is poised remain the main market for Georgia's exports in years to come.

The EU has a predominant position in other areas of economic activity as well. For years the EU has cumulatively been the number one source of FDI in Georgia (Geostat 2018). Recently the EU caught up and bypassed Russia even in areas that were traditionally part of Russia's domain. For instance, Russia remained the main source of remittances to Georgia even during the period of the 2006-2012 economic blockade (National Bank of Georgia 2018). However, the EU has been catching up and in 2017 Georgia received almost equal amount of remittances from the EU and Russia (National Bank of Georgia 2018). According to the most recent data, the EU surpassed Russia in 2018 (National Bank of Georgia 2018). The only area where the EU still lags behind Russia is the agricultural sector, particularly wine exports which, in terms of trade output, is insignificant for Georgia's economy but has a strong social impact. Even during the period of Russia's economic blockade against the country, Georgian wine-makers failed to export enough to the EU's single market to replace the Russian market (figures 7 and 8).

Figure 1: Georgian exports (share of total exports in %);

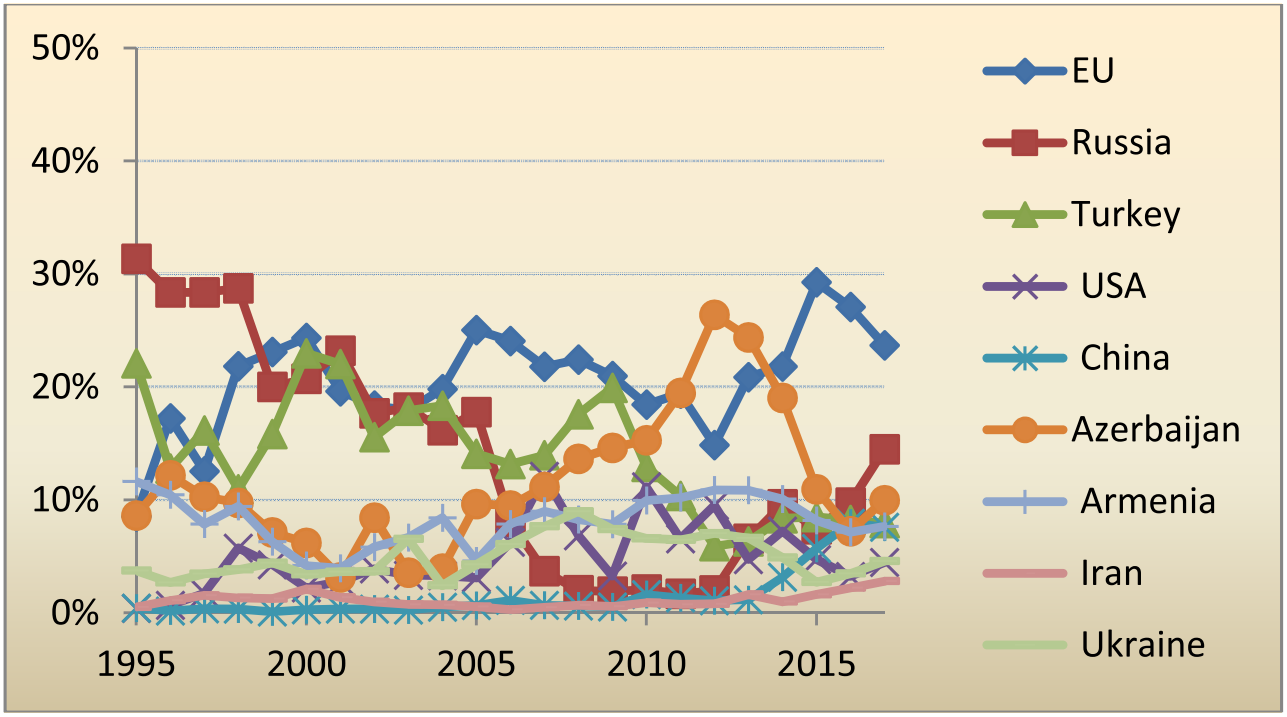


Figure 2: Georgian exports (total exports in thousand USD);

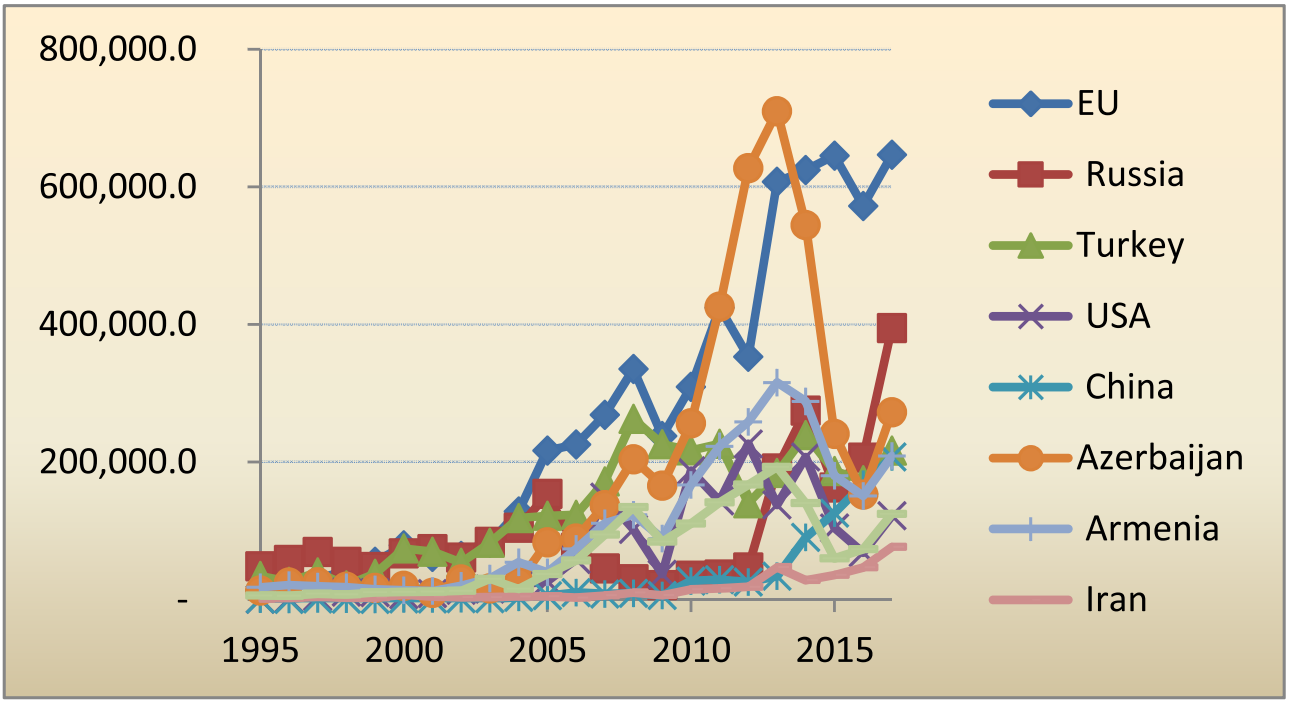


Figure 3: Georgian imports (share of total imports in %)

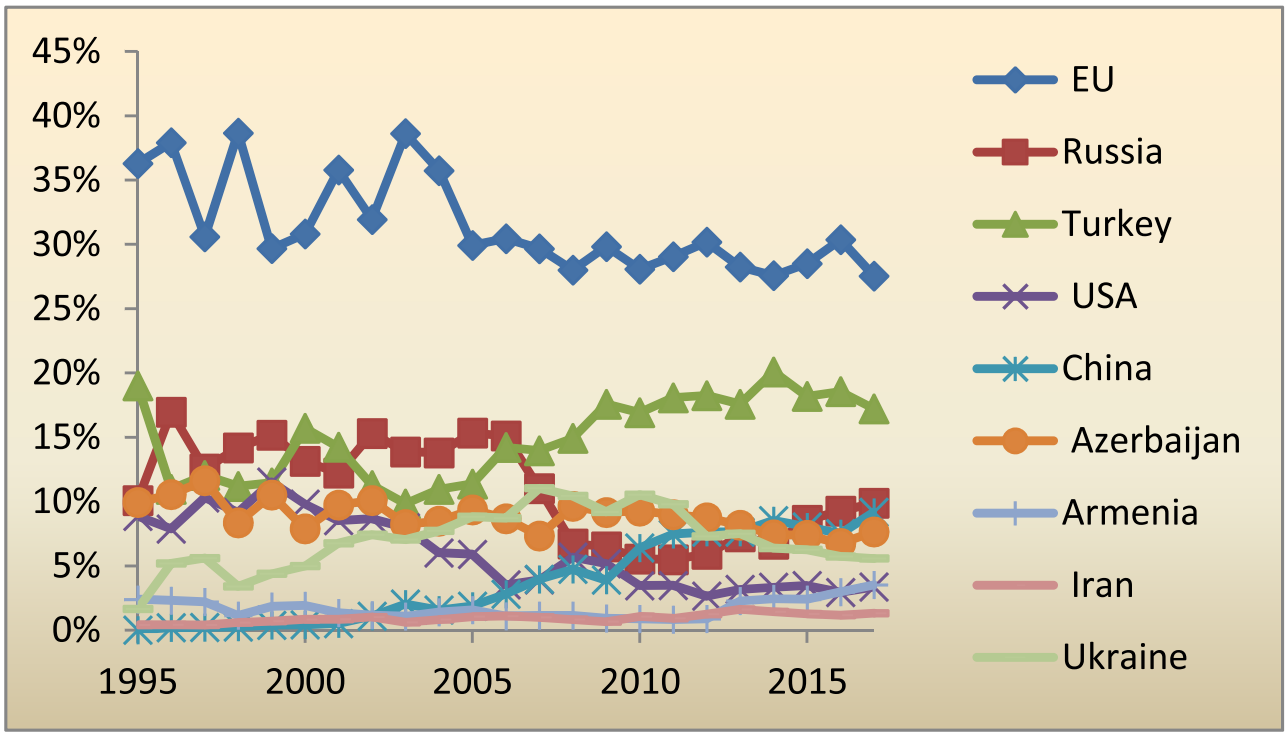
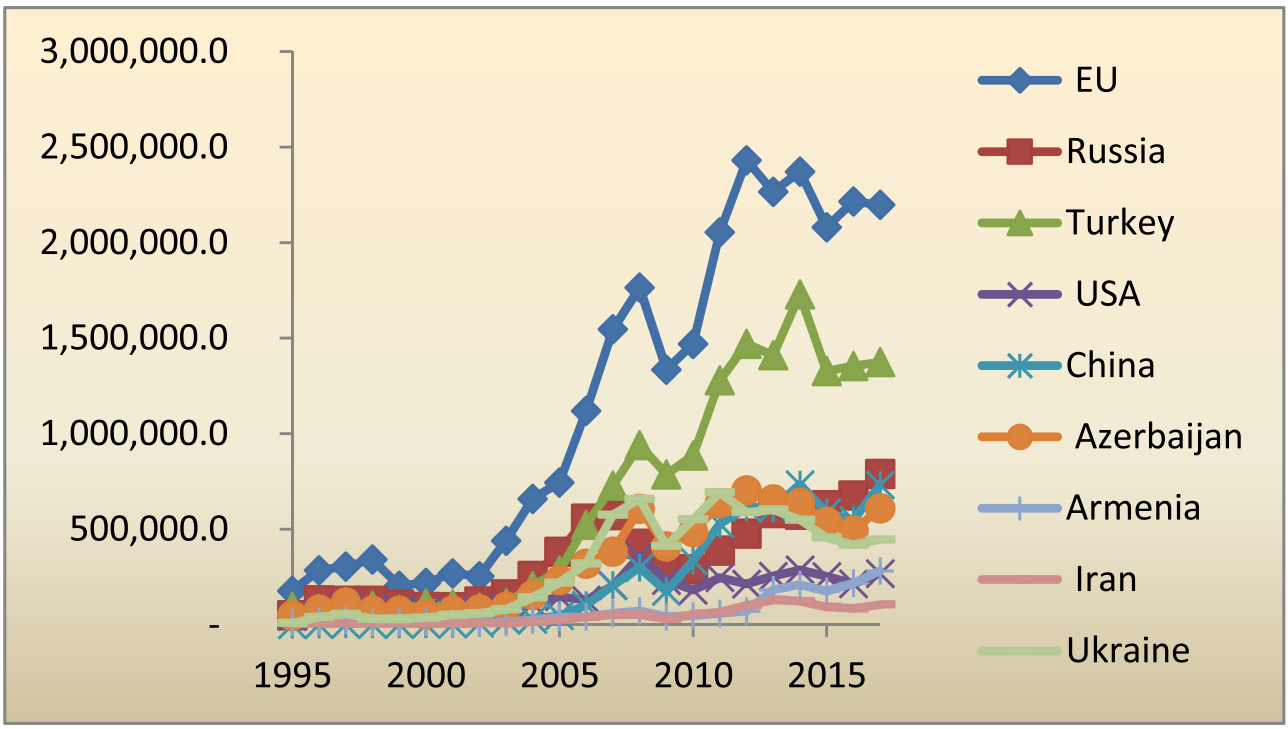


Figure 4: Georgian imports (total imports in thousand USD);



Russia

Russia's coercive approach towards Georgia since the late 2000s (the trade and economic embargo and the 2008 full-scale war) resulted in the freezing of economic relations between the two countries. On the one hand, this had a detrimental effect on certain branches of Georgia's economy. Certainly it was a significant blow for vulnerable groups of the Georgian economy and the government had to provide subsidies to avoid a total collapse of the wine and agricultural industries (Forbes Georgia 2016). Nevertheless, it should be noted that the United National Movement (UNM) government managed to disengage from Russia economically without destabilization and on the background of high economic growth. As a result, the Georgian economy became virtually independent from Russia. Most notably, Georgian exports to Russia, traditionally the main market for Georgian products, declined from 18 to two percent (figure 1).

Russia reopened its market after the change of government in Georgia in 2012 and the new Georgian Dream (GD) government was happy to seize the opportunity and relaunch exports to Russia (The Wall Street Journal 2015). This resulted in an increased dependency on Russia for the Georgian economy in terms of overall exports (Kakachia, Kakhishvili, and Minesashvili 2015). Overall, however, Russia failed to regain the economic influence it lost during the trade embargo. Russian imports barely make up 10 percent of all imports (figures 3 and 4) and FDI from Russia account for less than five percent of all FDI (figure 5). Still, the dependency of some socially highly vulnerable economic sectors, such as wine and agriculture, on the Russian market should become a matter of concern since Russia is well-known for its habit of instrumentalizing the economic vulnerability of its neighboring states to gain political advantage over them (Kakachia, Kakhishvili, and Minesashvili 2015).

Regional and global actors

The strategic axis Azerbaijan-Georgia-Turkey is further strengthened by Georgia's close economic, trade and investment relations with its two neighbors. Cumulatively, **Azerbaijan** and **Turkey** have been the second and third largest investors in Georgia since 2005 (figure 5). Turkey has been Georgia's second biggest trade partner and Azerbaijan a close third since 2005 (figures 1-4). Remittances from Turkey make up five percent of all remittances sent to Georgia (figure 6). Georgia has more moderate economic relations with neighboring **Armenia**, which is understandable since the tiny Armenian market is not very profitable for Georgian products and vice versa.

Georgia has surprisingly low-intensity economic relations with its traditional ally, the **US**, which has long held a negligible share of Georgia's imports and exports. The US was the source of up to 10 percent of all remittances to Georgia and, in terms of FDI, the US is far behind the EU, Turkey and Azerbaijan (figures 5 and 6). The rather underdeveloped economic relations between Georgia and the US are perhaps the result of geographic distance, as well as the disinterest of US enterprises to invest in Georgia and the challenges Georgian companies face when trying to enter the US market.

Georgia has virtually no economic and financial relations with another regional actor – **Iran**. As of 2017, Iran amounted to three percent of Georgia's exports and one

percent of imports (figures 1 and 3). Remittances and FDI from Iran is close to zero percent (figures 5 and 6). In addition, Iran and Georgia do not share any preferential trade agreements that could act as a framework for Iran's economic engagement with the Black Sea country (ECPR 2016). For a wannabe regional hegemon like Iran, this is below underperformance. As for Georgia, while economically, it is certainly desirable to have more intensified economic and trade ties with Iran, politically, limited economic linkage with Teheran also has its merits since it insulates Georgia from Iran's negative influence. A recent row over security checks in Georgian airports for Iranian women wearing hijab illustrated the potential political and diplomatic sensitivities closer bilateral relations could entail (EurasiaNet.org 2018).

In contrast, Georgia's economic relations with **China** have been on the rise for several years. In 2017 Georgia became the first country in the region to sign a free trade deal with China (Agenda.ge 2018). Georgian exports to China have increased eight times since 2013 and amount now to eight percent of all Georgian exports – a significant number that is poised to increase further in the years to come (figure 1). What is more, China has also become a pivotal market for the vulnerable sectors of Georgian economy, such as wine, that have suffered from coercive measures by Russia. In 2017, Georgia exported more wine to China than to the EU and the US markets combined (Georgia Today 2018).[5] Georgia is also an integral part of many regional economic and trade initiatives promoted by China, which sees Georgia as a transportation hub linking Asia to Europe (Larsen 2017). For instance, Georgia is already a member of the Transport Corridor Europe-Caucasus-Asia (TRACECA) and the Trans-Caspian International Transport Route (TITR) connecting China to Ukraine and Turkey via Azerbaijan and Georgia (Larsen 2017).

Overall, in terms of economic relations, Georgia is on its way to becoming a part of EU's inner economic concentric circle.[6] Even though EU membership is not in the cards for Georgia in the immediate future, the DCFTA ensures wide access for Georgian goods, capital and services to EU's single market.[7] What is more, as a part of the AA agreement, Georgia is obliged to incorporate a large part of trade-related EU legislation, which will make it an integral part of EU's regulatory empire.[8] Close economic integration with the EU will at some point certainly limit Georgia's external economic policy independence even though Georgia is not yet part of EU's customs union. Since investment conflicts are looming between the EU and China, the EU may become more cautious about the implications of the China-Georgia free trade deal for EU's single market. Therefore, the Georgian government will face the important challenge of co-managing two not

[5] Also see statistics on wine exports in this report (graphs 7 and 8)

[6] On concentric circles see: Lavenex, Sandra. 2011. Concentric circles of flexible 'EUropean' integration: A typology of EU external governance relations. *Comparative European Politics* 9 (4-5): 372–93.

[7] The DCFTA excludes free movement of workers. However, potentially it could be replaced by adopting bilateral regulations such as "Balkanregelung" in Germany.

[8] We should control for a number of methodological limitations that stem from the mostly quantitative methodology used in the report. For instance, the quantitative aggregation of FDIs' fail to account for offshore investments of supposedly Georgian origin which enter Georgia via EU's safe heavens countries with lax financial regulations. It is widely suspected that the extraordinary amount of FDI coming to Georgia from some of EU countries have in fact Georgian origin and resemble offshore investments like those from Panama. For detailed statistics on FDI in Georgia, see: Geostat. 2017. *Foreign Direct Investments*. Accessed September 4, 2018: http://www.geostat.ge/index.php?action=page&p_id=2231&lang=eng

easily harmonizable policy objectives: gradually becoming part of the EU's single market and retaining flexibility and open trade with the rest of the world, first of all with China and other emerging markets. Russia will remain Georgia's second most important challenge. Although Russia has never fully regained its economic clout in Georgia following the 2006-2012 economic embargo, several sectors of the Georgian economy are again becoming dangerously dependent on the Russian market, which gives the Kremlin additional levers to put political pressure on the Georgian government. While increasing trade relations certainly make sense from an economic point of view, the Georgian government needs to manage the high political risks that always accompany Russia's economic ties with its small neighboring states.

Figure 5: FDI (share in %)

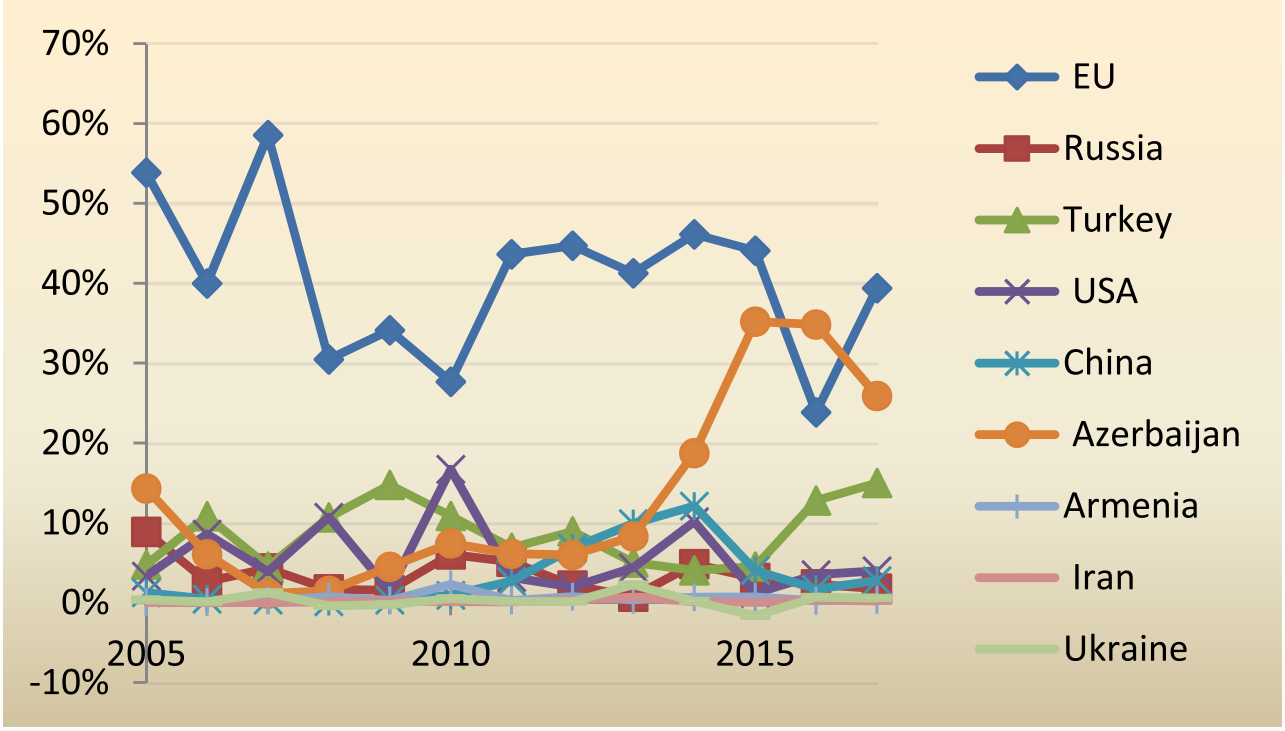


Figure 6: Remittances

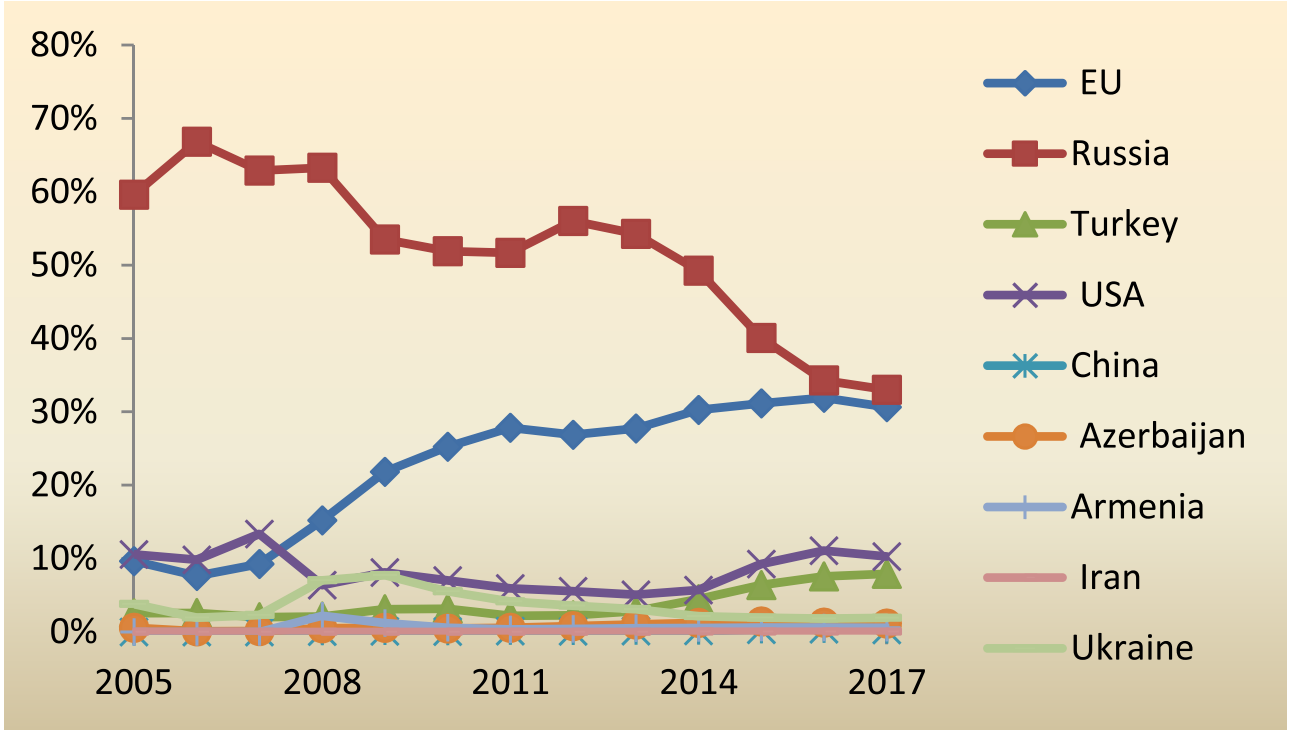


Figure 7: Wine exports (amount in USD)

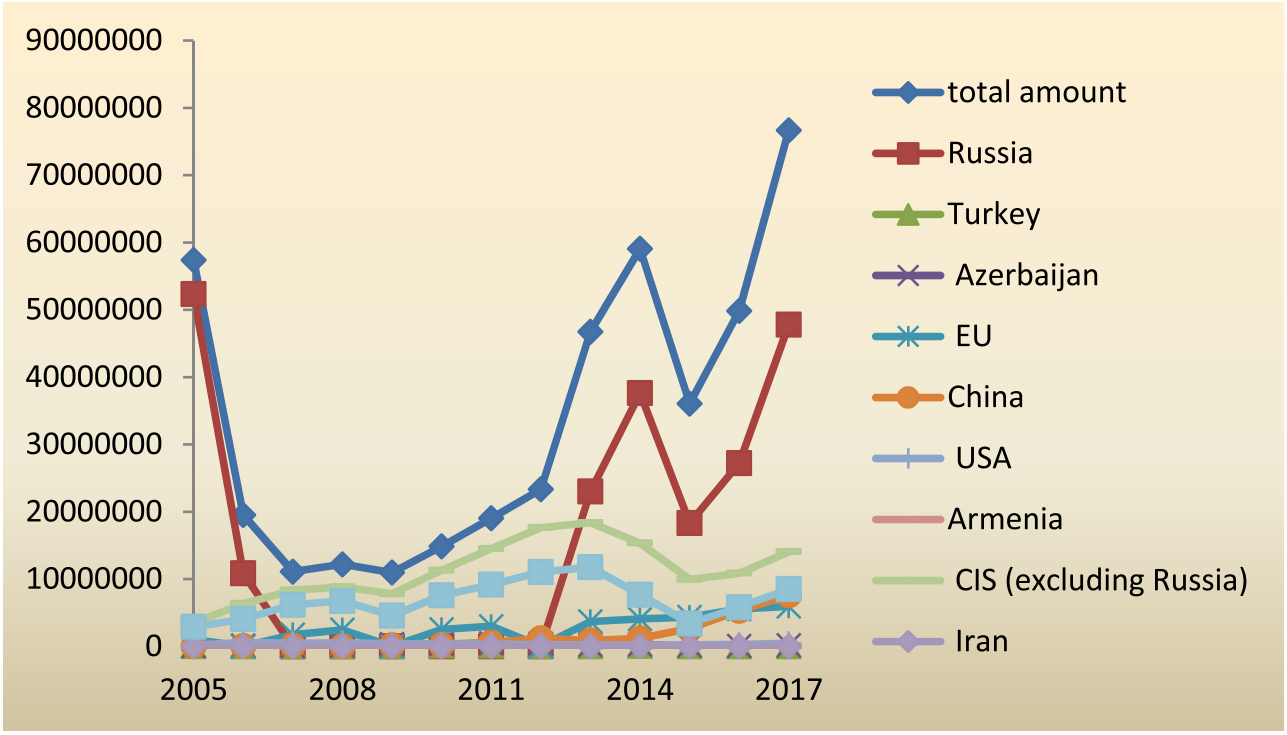
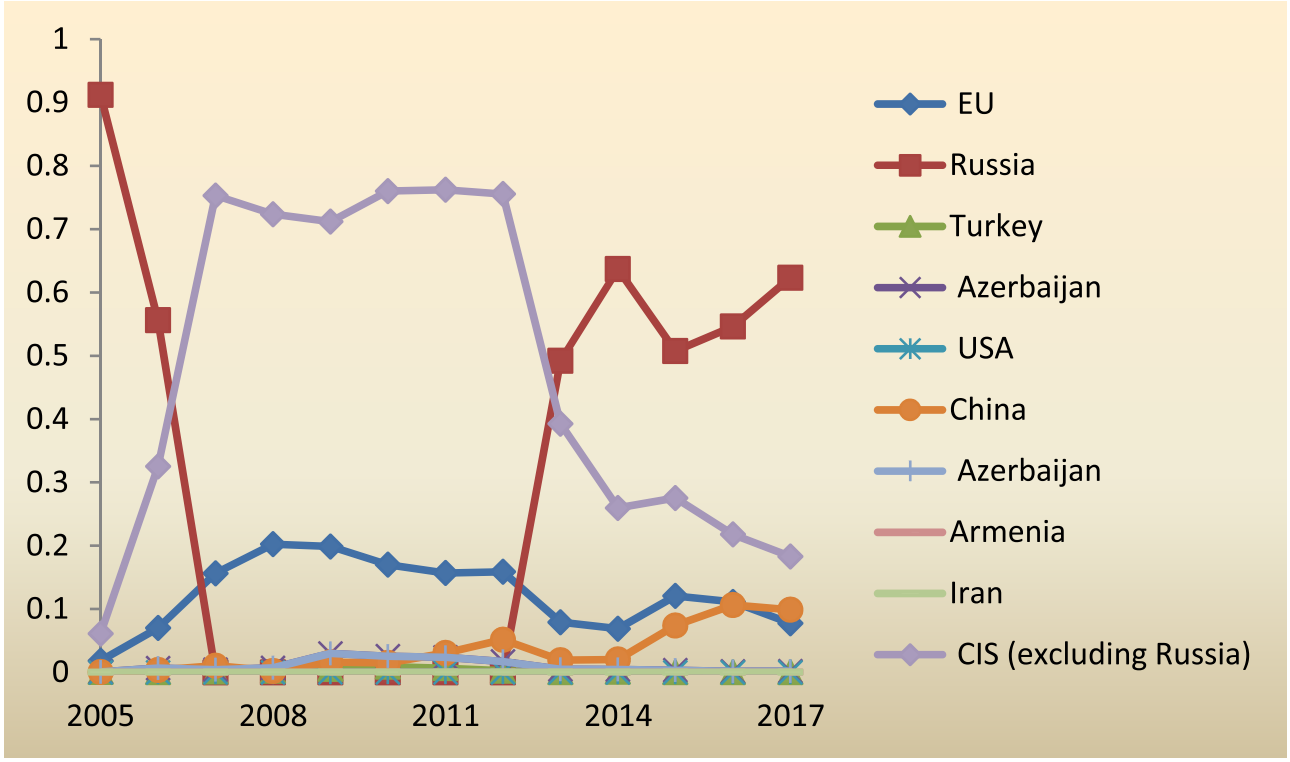


Figure 8: Wine exports (share in %)



Political integration

The EU

The second dimension of Georgia's foreign dependency and vulnerability concerns the country's political relations, which includes security, military and the political arena. There are marked differences in this sphere, compared to the situation in terms of economic relations. Specifically, the EU's predominance is more balanced by Georgia's other allies and foes. Yet, the EU still seems to be the only actor that has achieved dominant standing both in the political and economic areas. The EU is the only international actor with boots on the ground: since the 2008 Russia-Georgia War, the Administrative Boundary Line (ABL) on territories controlled by the Georgian central government are monitored by the 200 member European Union Monitoring Mission (EUMM) (European Union External Action 2018). While the EU monitors are unarmed and their area of activity is fairly limited, their presence alone has immense political importance for Georgia in order to, among other things, contain further aggression from Russia and strengthen stability in the conflict areas. It is worth mentioning that different Georgian governments have been trying to internationalize the conflict areas since the 1990s (Lebanidze 2016). While the presence of the EUMM is a partial achievement of this goal, it required a devastating war and deteriorated security to deploy the unarmed monitors to Georgia.

The EU has also become a key partner in other areas of military and security. It was a member of the EU — France — that became the first Western country to break the de-facto embargo on arms sales imposed upon Georgia by the West after the 2008 Russia-Georgia War. Paris agreed to provide Georgia with a much-needed anti-aircraft defense system in 2015 (Civil Georgia 2015). Soon other contracts followed and, in 2017, the US finally also agreed to sell the Javelin anti-tank missiles to Georgia (Civil Georgia 2017b).

The EU has also taken lead in other areas of Georgia's political and democratic development as US-Georgia relations somewhat stagnated during Barack Obama's presidency. The AA signed in 2014 between EU and Georgia institutionally binds Georgia closer to the EU and defines the framework for democratic and market reforms for decades to come. Finally, the EU and other European organizations are the most important actors when it comes to domestic political developments in Georgia. The European Commission and the EU parliament, the Venice Commission, European Court of Human Justice (ECHJ) and other European and EU-related organizations have been closely scrutinizing democratic processes in Georgia and have prevented autocratic backsliding in the country on several occasions (Freedom House 2018).

Russia

While Russia's impact on the Georgian economy has declined, it remains the most important actor in Georgia politically and in terms of security, mostly due to its coercive capacity. Russia occupies two regions of Georgia and recognizes their independence from the Georgian state, a policy that undermines Georgia's sovereignty and territorial integrity. It has as many as 8 000 troops stationed in both regions (Civil Georgia 2017a). However Russia's coercive policy also has its limits. By recognizing Georgia's conflict regions as "independent states," Russia sacrificed political levers it could potentially have used to coopt or coerce the Georgian government. As one high-ranking official put it, "when you push negative conditionality too far you have a Georgia situation" (Dzhaparidze 2013).

The less confrontational, pragmatic approach adopted by the GD government towards Russia after 2012 has been assessed by experts and scholars as relatively positive (GIP Expert Poll 2018). Yet it also entails certain risks. Economically, Georgia may once again become dependent on the Russian market as Russia tries to regain its lost leverage against Georgia. In addition, the unintended political result of the GD policy is that the issue of Georgia's conflicts has been slowly disappearing from the international arena as a result of less lobbying by the West. What is more, the new government's accommodating approach has failed to stop Russia's creeping occupation through the process of borderization or border demarcation (GIP 2017). Low-intensity incidents near the ABL have also continued. In summary, the GD's appeasing stance towards Russia has reduced the probability of another high-intensity conflict with Russia but has failed to stop the Kremlin's policy of creeping occupation and has not strengthened Georgia's fragile security.

Regional and global actors

Following the EU, the **US** seems to be Georgia's most important political ally. A growing feeling that the US did not sufficiently protect its ally from Russian aggression in 2008 has resulted in a degree of frustration in both Tbilisi and Washington (Civil Georgia 2018). It is also true that it was the EU, not the US, which mediated the ceasefire and deployed a 200 member monitoring mission to oversee the ceasefire between two sides (European Union External Action 2018). Overall the fast pace of deepening of relations between US and Georgia that was notable at the end of the 1990s slowed down after the 2008 war and during the Barack Obama presidency. Nevertheless, one should not underestimate the role of the US when it comes to the very core of Georgia's national security. Although the US does not have boots on the ground, Washington's containment effect may be at least as equally important as of that of the EU. US relations with Russia influence how Moscow treats its neighbors. US support is also crucial for Georgia's NATO membership, which seems distant now as the US, at least currently, appears to have lost interest in Georgia joining the military alliance. Last but not least, next to the EU, the US is the main and only external actor that shapes Georgia's domestic political and democratic development. The US is often more straightforward than the EU, and has repeatedly exerted the necessary democratic pressure on political actors in Georgia to push the country in the democratic direction (Lebanidze 2014; Börzel, Pamuk, and Stahn 2009).

In contrast to its economic assertiveness, **China** keeps a low profile in the region when it comes to political engagement (Larsen 2017). This is reminiscent of China's international grand strategy, which emphasizes economic engagement and investments in strategic branches of economy. Another reason for China's political passivity may be Beijing's unwillingness to irritate its partner Russia. China and Georgia do have common diplomatic and political foundations, such as respect for territorial integrity and sovereignty and China has refused to support Russia's position on Abkhazia and Samachablo (Larsen 2017). Besides, like the EU, for China economic and political rationales are closely related to each other. Beijing is interested in Georgia's stability and security in order to fully exploit the country's potential of economic and trade relations (Larsen 2017). However, China's political support for Georgia has so far been rather implicit and unspectacular. Hence, while China offers a good alternative for trade and investment diversification, it cannot replace either the US or the EU as Georgia's main political ally.

The analysis of Georgia's regional ties shows that **Turkey** and **Azerbaijan** are the country's two most significant regional strategic partners. Georgia is a part of geostrategic energy and infrastructure projects that bring Caspian oil and gas from Azerbaijan to Turkey and Europe and connect Azerbaijan to Europe. Georgia is also potentially a part of the broader Silk Road. In addition, Azerbaijan and Georgia share similar problems in terms of territorial conflicts that involve Russia (Shiriyev and Kakachia 2013). Turkey assisted Georgia in reforming its security sector and used to support Georgia's NATO integration (Hurriyet Daily News 2016). However, Georgia's interconnectedness with these two neighbors also generates negative consequences for its foreign and domestic policy. In 2017, the abduction of Azerbaijani opposition journalist Afghan Mukhtarli in Tbilisi and his reappearance in custody in Azerbaijan cast a shadow on Georgia's democratic commitment and was widely criticized by the international community (Freedom House 2018). Similarly, on several occasion the Turkish government has requested that Georgia close educational institutions that are supposedly linked to the Turkish opposition cleric Fethullah Gülen (Larsen 2018). Georgia's political relations with **Armenia** are more limited due to the fact that the two countries belong to potentially rivaling integration projects. Yet there is a wide understanding between Tbilisi and Yerevan that good neighborly relations are in the best interests of both states. There is also a level of interdependence between the two countries in the areas of security and politics: for Armenia, Georgia is the only window to the outside world and, for Georgia, Yerevan's support is important to secure long-lasting stability in the Georgian enclave of Samtskhe-Javakheti, which is largely populated by ethnic Armenians.

Conclusions

In this report we examined Georgia's dependency on nine regionally or globally important countries: EU, Russia, Turkey, Azerbaijan, USA, China, Armenia, Iran and Ukraine. The analysis shows that Georgia finds itself in a spaghetti bowl of overlapping influences[9] and competing integrational projects. The EU has advanced to become the main partner of Georgia in all areas including economy, institutional relations, political ties, security and military areas as well as normative issue such as democratization and human rights. The US, on the other hand, is focused mostly on the political and security areas. Even in these spheres, we have witnessed the weakening of US interest and a shifting towards the EU. In sum, over the past ten years Georgia has evolved from a protégé of the US to a client state of the EU.

Georgia's relations with Russia have undergone significant changes over the past decade. Right after the 2008 Russia-Georgia war, Russia's economic and political leverage over Georgia was nearly spent. Russia's economic and trade embargoes and recognition of Abkhazia and South Ossetia deprived the Kremlin of all its important levers to influence the Georgian government and that policy has permanently undermined pro-Russian forces in Tbilisi. However, Russian influence has increased significantly since 2012, under the GD government. While the reopening of the Russian market for Georgian products and the reestablishment of transport and communication ties between Russia and Georgia are positive developments, they also make Georgia more vulnerable to Russia's unpredictability especially since the Kremlin has a strong record of instrumentalizing the economic dependency of its neighbors for political purposes.

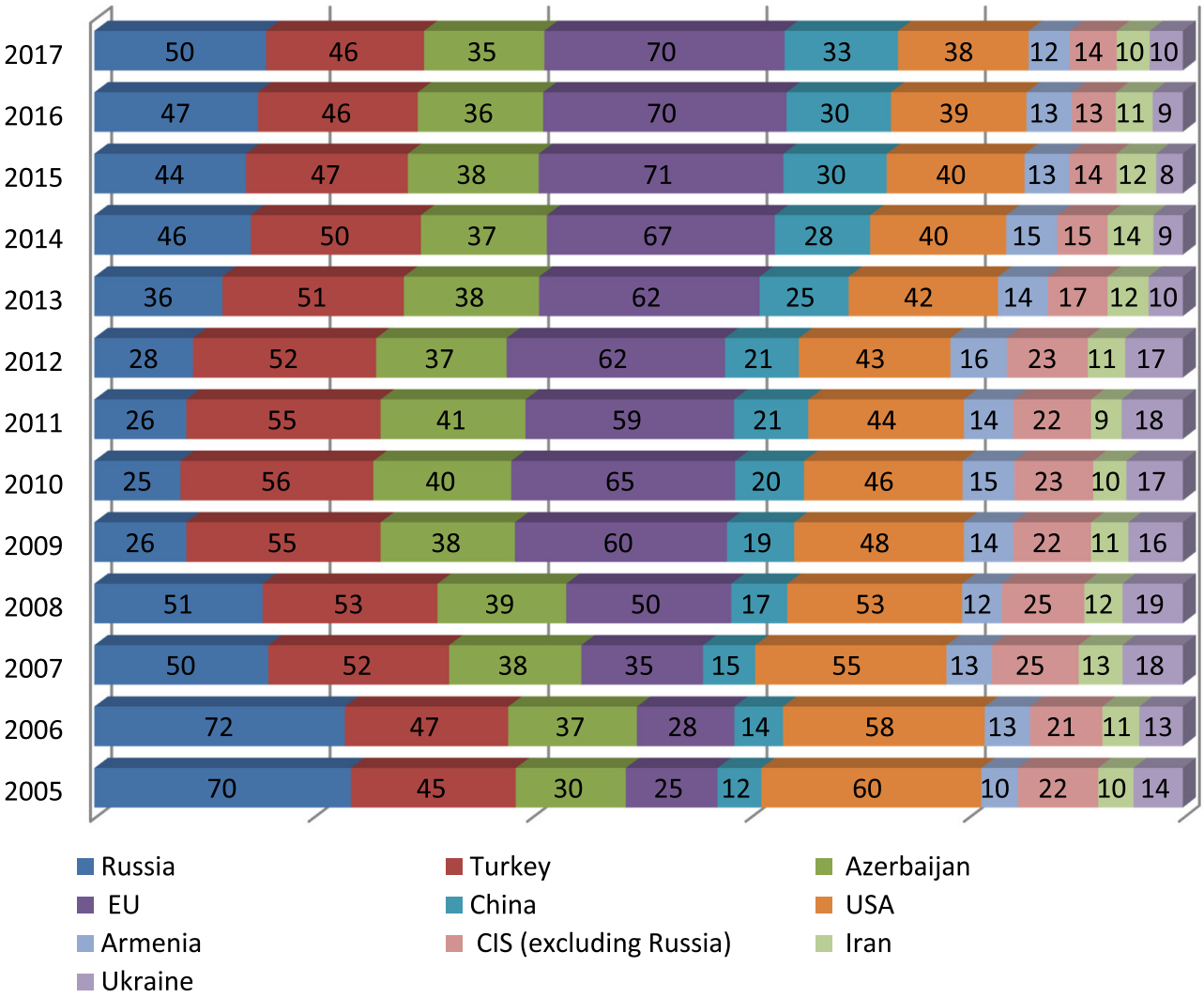
In its immediate region, Georgia has the most intensive relations with Azerbaijan and Turkey. Turkey has long been the country's most important trade partner and a key source of FDI in Georgia. Turkey also has supported Georgia politically both within NATO and to some extent against Russian pressure. Furthermore, the three countries are linked by strategically important gas and oil pipelines. While Georgia is more asymmetrically dependent on Turkey, Azerbaijani-Georgian relations are mutually beneficial: Georgia needs Azerbaijani energy resources on the one hand, and Georgia's strategic location offers Azerbaijan a route to bring its oil and gas to European consumers by bypassing Russia. In contrast, Georgia's relations with Armenia are more moderate. Trade flows and FDI between the two neighbors are insignificant and the fact that the two countries belong to different alliances does not leave much space for joint political initiatives. Yet Armenia and Georgia have developed a healthy, pragmatic relationship based on a mutual understanding of each owns limitations and of their interdependence in security related areas: Georgia needs Armenia's support to keep the Armenian-populated enclave in Javakheti region in check and Armenia needs Georgia as its only trade route to the outside world.

[9] On spaghetti bowl regionalism see: Baldwin, Richard E. 2006. Multilateralising regionalism: spaghetti bowls as building blocs on the path to global free trade. In *World Economy* 29 (11), pp. 1451–1518.

While other important actors with the potential to significantly shape Georgia's political and economic development exist, so far their impact on Georgia has been miniscule. Iran, an important regional player, only accounts for 3 percent of Georgia's overall trade and does not have any significant political impact on the South Caucasus country. The same can be said about Ukraine and the rest of the CIS. Although potentially Georgia and Ukraine share the same political, economic and security interests, the two countries have never managed to build a strong regional bond.

Finally, the strongest newcomer in recent years is China. China, even though it is geographically distant from Georgia, now accounts for 9 percent of Georgia's exports (compared to the 4 percent share of the US) and has signed a free-trade agreement with the Black Sea country. The Chinese are still very moderate when it comes to political and security-related issues, but Beijing is poised to become a key economic player in Georgia in the years to come.

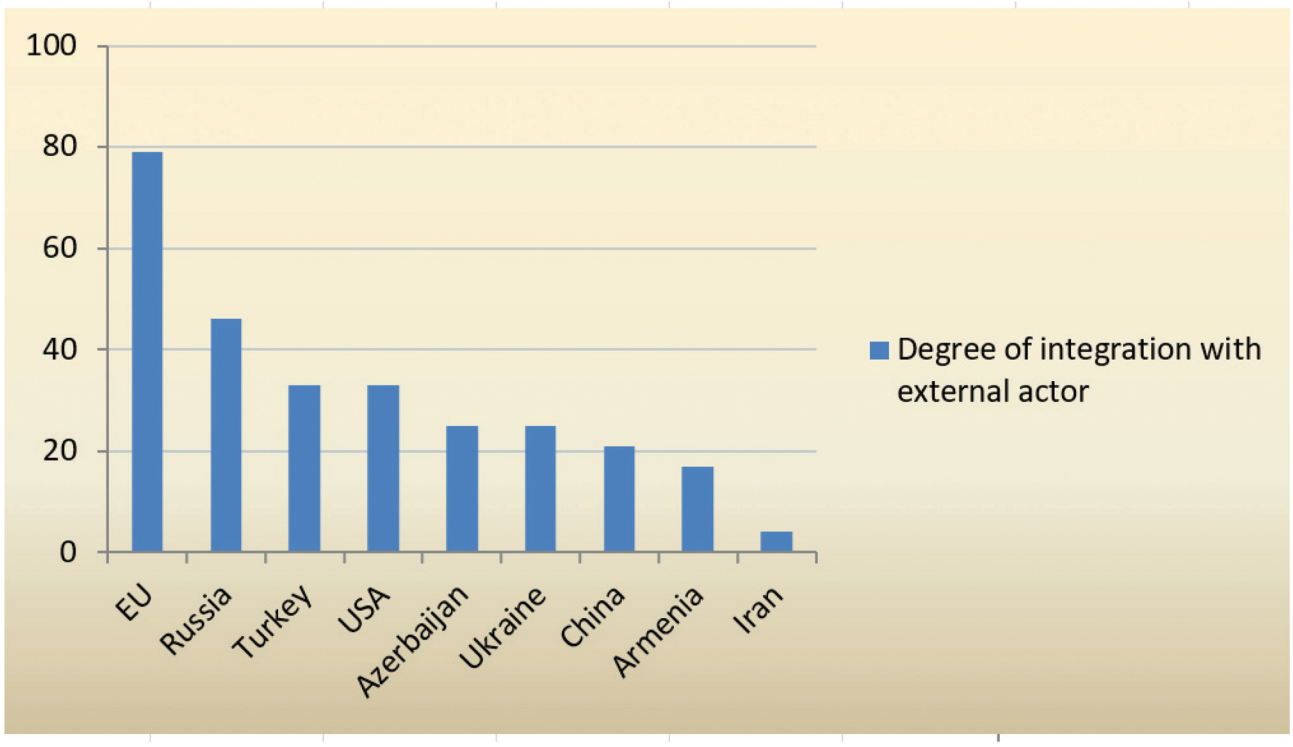
Figure 9: Degree of Georgia's dependency on selected external actors (quantitative measurement, standardized on a scale of 0-100=the highest)[10]



[10] The figures indicate average scores of eleven political and economic indicators measured and aggregated separately for each external actor. For more information, see the methodology annex.

As we can see from figures 9, 10 and 11, Georgia shows different degrees of (inter) dependency with important regional and global actors. As of 2017, the Black Sea country has the closest economic and political ties with the EU, followed by Russia, the United States and China as well as neighboring Turkey and Azerbaijan (figures 10 and 11). However, the figures should be read carefully since quantitative measurements do not always capture the full picture.[11] For instance, the relatively low score of the US is, first of all, the result of very moderate relations between the US and Georgia in economic and trade areas. Nevertheless, our study fully catches the general trends of development, which have been fivefold: ***(1)*** EU has overtaken the US as Georgia's main partner in all important areas; ***(2)*** the US has been gradually withdrawing from the region although in terms of security Washington remains the most important partner next to the EU; ***(3)*** Russia has somewhat regained its influence over Georgia since 2012 by reopening its market for Georgian products and effectively utilizing its soft power, however the EU is successfully challenging Russia's position in areas that traditionally belonged exclusively to Russia such as remittances; ***(4)*** China has become the strongest non-regional player in terms of trade, investments and economic relations but not security; ***(5)*** strategic bonds remain strong with neighboring Turkey and Azerbaijan, and to a lesser extent with Armenia, which indicates that the realities of Georgia's external relations reinforce the conventionally held belief that geography is important.[12]

Figure 10: Degree of integration with external actor as of 2017 (0-100 highest)[13]

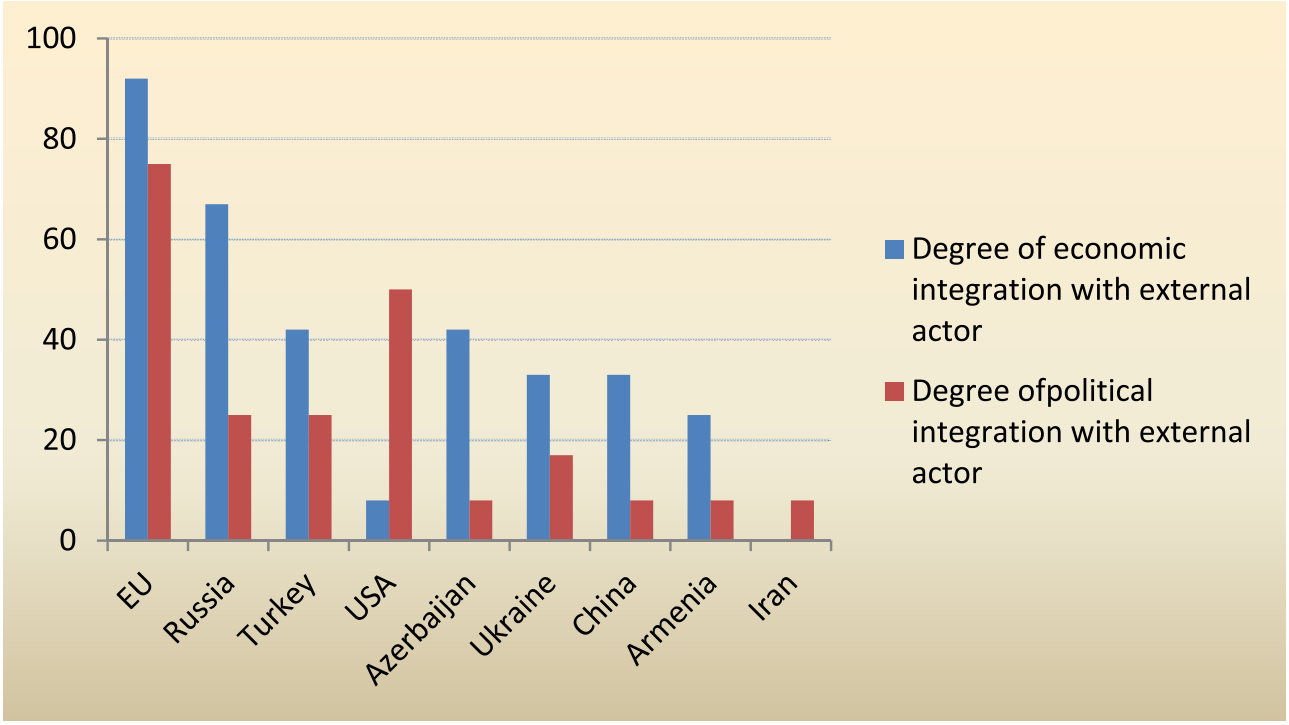


[11] This is generally the issue of the most indexes which struggle with the quantitative-qualitative methodological divide. For more information on this subject see: Bühlmann, Marc; Merkel, Wolfgang; Wessels, Bernhard 2008. *"The quality of democracy: democracy barometer for established democracies."* Available online at http://www.nccr-democracy.uzh.ch/publications/workingpaper/pdf/WP10a.pdf, checked on 1/8/2014.

[12] The importance of geographic proximity is explicitly underlined in EU strategic documents: European Council. 2003. *ESS: European Security Strategy*. https://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf.

[13] The figures indicate the average scores of eleven political and economic indicators measured and aggregated separately for each external actor. For more information, see the methodology annex.

Figure 11: Degree of economic and political integration with external actor (0-100 highest)[14]



In this report we also looked at how different integration schemes affect the process of Georgia's Euro-Atlantic integration. Overall we can draw a few conclusions. First, generally, the process of Georgia's European and Euro-Atlantic integration significantly differs from that of the CEE and the WB countries. Other external players, first of all, Russia, Turkey and China, at different junctures and in different ways, have been reinforcing, sabotaging, slowing down or facilitating Georgia's Euro-Atlantic integration processes. Overall however, the impact of other regional and global actors has had a rather detrimental influence on Georgia's approximation to the EU and NATO. This negative impact has had three dimensions: normative, institutional and political. From the normative angle, dependency on illiberal actors has repeatedly forced Georgia to enter into normative conflicts with the West, for instance when it agrees to honor political requests from its strategically important allies Turkey and Azerbaijan. Institutionally, Russia has been successfully blocking Georgia's NATO bid through political lobbying in the West and by continuous attempts at political and security destabilization. Finally, Russia also has utilized aggressive political language against Georgia's membership in Western organizations by drawing a red line against it and forcing the West to comply.

From the European angle, the results of the report also provide a few insights about the EU's external integration capacity in the neighborhood area. On the one hand it seems that the dominant position of the EU is challenged economically, politically and ideationally by external actors, especially non-democratic states, which are often labeled by academic and policy-relevant lit-

[14] *Degree of economic integration with external actor* indicates average scores of economic indicators measured and aggregated separately for each external actor. *Degree of political integration* with external actor indicates average scores of political indicators measured and aggregated separately for each external actor. For more information, see the methodology annex.

erature as illiberal powers or black knights (Tolstrup 2015; Risse and Babayan 2015). However, in the case of Georgia, EU has proven itself more resistant than one would expect in terms of continuously expanding its influence. Due to its sheer economic power and normative appeal EU has managed to establish itself as the number one partner of Georgia in economy, trade, investments as well as the main security provider. Certainly, a somewhat lucky mix of Georgia's pro-European aspirations and its deteriorated relations with Russia has also significantly helped to propel the Black Sea country into EU's political orbit. EU will have a hard time finding similar preconditions in other neighboring countries conducive to expanding its influence. Nevertheless, the Georgian case proves the EU's ability to bind neighboring states into its concentric circles and win the integrational competition against other actors if need be.

This report aimed at exploring Georgia's degree of political and economic integration with regional and global actors and explaining, using Georgia as an example, how the context of overlapping external influences changes a country's prospects for European integration. This report is the first attempt to put Georgia in a regional context and it faced limitations in terms of methodological and empirical data. The main limitation may be that it is limited to one country case. Therefore further research and new case studies are needed to strengthen the comparative component and exploit the full potential of this concept. The criteria and indicators for measuring the qualities of integration and dependency may also need further elaboration. Closer collaboration with similar projects may be beneficial in this respect.

Appendixes

Methodology – quantitative measurement[15]

Criteria and indicators for measuring of political and security-related dependency	
Political and diplomatic assistance; Definition: The variable indicates the importance of Russian diplomatic and political assistance for the post-Soviet regimes. Range of values: minimum = 0; maximum = 2 • The country has acute security/political challenge or threat and relies on the political/diplomatic support by the external actor; • The country has acute security/political challenge or threat with involvement of a particular external actor, but the government does not rely or expect political assistance from that actor; • The country does not face any acute security/political challenge or threat; Sources: RFE/RL; www.rferl.org http://geostat.ge/	**Civil-military ties (I);** Range of values: minimum = 0; maximum = 2 • The country is a member of more than one organization which is dominated by an external actor; • The country is a member of at least one organization dominated by an external actor; • The country is a member of none of the organizations dominated by an external actor; Sources: RFE/RL; www.rferl.org http://geostat.ge/
Political integration; Range of values: minimum = 0; maximum = 2 • Clearly expressed wish to join more than one organization dominated by an external actor; • Clearly expressed wish to join at least one organization dominated by an external actor; • No aspiration to join any organization dominated by an external actor; Sources: RFE/RL; www.rferl.org http://geostat.ge/	**Civil-military ties (II);** Range of values: minimum = 0; maximum = 2 • The external actor has [friendly] civil-military presence in Georgia which provides for Georgia's security; • The external actor has [friendly] civil-military presence in Georgia which is unimportant for Georgia's security; • The external actor does not have [friendly] civil-military presence in Georgia; Sources: RFE/RL; www.rferl.org http://geostat.ge/

[15] The indicators are partly taken from: Lebanidze, Bidzina (forthcoming). *Russia, EU and the post-Soviet democratic failure.* Springer.

Civil-military ties (III); • The external actor has a [hostile] civil-military presence in Georgia which undermines for Georgia's security; • The external actor has a [hostile] civil-military presence in Georgia which does not significantly affect country's security; • The external actor does not have a [hostile] civil-military presence in Georgia;	**Ideological affinity of the ruling elite;** Range of values: minimum = 0; maximum = 2 • The ruling elite is [formally or intrinsically] committed to values close to an external actor and pursues foreign policy aimed at close integration with that actor; • The ruling elite is committed to values close to an external actor, but its foreign is not oriented towards integration with that actor; • The ruling elite is neither committed to values, nor does it pursue the foreign policy aimed at integration with that actor; Sources: RFE/RL; **www.rferl.org**

Criteria and indicators for measuring of economic dependency	
Export; Definition: The variable indicates to what extent the country is depended on exports to the external actor. Range of values: minimum = 0; maximum = 2 • Exports to the external actor amount to more than 15% of overall external trade; • Exports to the external actor amount to between 5% and 15% of overall external trade; • Exports to the external actor amount to less than 5% of overall external trade; Sources: RFE/RL; www.rferl.org http://geostat.ge/	**Import;** Definition: The variable indicates to what extent the country is depended on imports from the external actor. Range of values: minimum = 0; maximum = 2 • Imports from external actor amount to more than 20% of overall external trade; • Imports from external actor amount to between 10% and 20% of overall external trade; • Imports from external actor amount to less than 10% of overall external trade; Sources: RFE/RL; www.rferl.org http://geostat.ge/

Remittances; Definition: The variable indicates to what extent the country depends on the remittances from the external actor. Range of values: minimum = 0; maximum = 2 • Remittances amount to more than 4% of country's GDP; • Remittances amount to between 2% and 4% of country's GDP; • Remittances amount to less than 2% of country's GDP; Sources: RFE/RL; www.rferl.org http://geostat.ge/	**Vulnerable Sectors;** Definition: The variable indicates to what extent the socially vulnerable sectors of Georgian economy depend on exports to external actors. Range of values: minimum = 0; maximum = 2 • Exports of wine products to the external actor amount to more than 30% of overall wine exports; • Exports of wine products to the external actor amount to between 15 and 30% of overall wine exports; • Exports of wine products to the external actor amount to less than 15% of overall wine exports; Sources: RFE/RL; www.rferl.org http://geostat.ge/
FDI; Definition: The variable indicates to what extent the country depends on the amount of the FDI from the external actor. Range of values: minimum = 0; maximum = 2 • FDIs amount to more than 20% of all FDIs; • FDIs amount to between 10% and 20% of country's all FDIs; • FDIs amount to less than 10% of all FDIs; Sources: RFE/RL; www.rferl.org	

Methodology – quantitative measurement

Open questions

- To what extent does Georgia depend on the political support of an external actor?
- To what extent is Georgia's security guaranteed by a [more or less] credible commitment from an external actor?

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