

The Caucasus Institute for Peace, Democracy and Development

**AFTER AUGUST 2008:
CONSEQUENCES OF THE RUSSIAN-GEORGIAN WAR**



September, 2008

This analytical paper was prepared by a working group created by the Caucasus Institute for Peace, Democracy and Development (CIPDD). The group was made up of independent experts and analysts of the CIPDD, Caucasus Environmental NGO Network (CENN) and BTKK – Policy Research Group.

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Introduction

The Caucasus Institute for Peace, Democracy and Development has decided to inform the ongoing debates on the consequences of the war in August 2008 by conducting and publishing a preliminary study.

It is still too early to carry out a conclusive analysis of the causes and results of the recent war in Georgia, especially as the process is not over yet, but CIPDD's contribution at this stage will prove of value, if only because the discussion has just begun in Georgia. Our goal was to create a Georgian analytical product on the Russian-Georgian war to inform both international and domestic Georgian discussions.

A work group was created on the Caucasus Institute's initiative. Although every effort has been made to take into account the original interviews and results of academic research, due to time pressures the main source of information has been the media.

The present analysis includes three main parts:

1. political analysis
2. economic analysis
3. environmental analysis

Key recommendations are provided in bullet form at the end of each chapter.

(1) The political part reviews developments in the international arena and domestic political events in key countries involved in the conflict. We analyze possible consequences of the war for Georgia, for countries of the region, and for the international order. Key recommendations are provided at the end of the chapter.

(2) The economic part deals with the damage which was caused both to the country's infrastructure and to the country's economy. Potential direct and indirect damage is analyzed sector-by-sector.

(3) The environmental part was added to the study because of the large extent of damage that was caused to Georgian ecosystems by Russian forces. Forest fires, oil spills in the Black Sea and other ecological calamities are the results of intentional actions by Russian forces and call for appropriate legal action.

The study is accompanied by a timeline of events, which clearly demonstrates how the situation escalated in Abkhazia and South Ossetia from February 2008 onwards.

Maps of Russia's invasion of Georgia and of damage to the environment are attached to this document.

1. Political analysis

Below is an analysis of the political causes of the August 2008 war and its likely consequences for Russian, Georgian, and international politics. In the Russian and Georgian cases, the analysis focuses on the impact of the war on foreign and domestic policies, governance. The international consequences of the conflict are discussed in terms of its likely impact on former Soviet republics, the US and the European Union.

1.1 Russia

This section deals with the causes for the Russian military intervention in Georgia and its consequences for the international system, domestic policies, decision-making processes. The likely impact of the Russian aggression on Moscow's relations with the rest of the world is assessed at the end.

1.1.1 International system level

To better understand Russian policy in August 2008, it is important to analyse the global processes that have developed since the collapse of the Soviet Union, and to find out how these processes were perceived by Russia itself.

Four major factors shaped the post-Soviet international environment for Russia:

1. the eastward enlargement of NATO and the European Union
2. development of alternative energy transit routes
3. the "colour revolutions" in Soviet successor states
4. recognition the independence of Kosovo

(1) The eastward enlargement of NATO and the European Union. After the demise of the USSR, formerly socialist countries joined western alliances, notably NATO and the EU. Russia viewed this process as a threat to its national security. The increasing cooperation of former Soviet republics with NATO and EU, or their admission to these organisations, was especially worrying for Moscow. Three Central European countries became NATO members in 1999. Seven Baltic and Eastern European states followed suit in 2002. EU enlargement went hand in hand with NATO expansion.

(2) Alternative energy transit routes. Major international oil companies and the government of Azerbaijan signed a contract in 1994 to develop the country's offshore oil fields.¹ They also agreed to construct the Baku-Tbilisi-Ceyhan pipeline to deliver Azerbaijani oil to European markets, bypassing Russian territory. The Shah Deniz gas field came on stream at the same time. On June 27, 2006, the European Commission, Turkey, Bulgaria, Romania, Hungary and Austria signed an agreement to build Nabucco, a natural gas pipeline that will transport natural gas from Turkmenistan and Azerbaijan to Austria via Turkey, Bulgaria, Romania, and Hungary.² (The Nabucco project has not started yet.) Russia, a major supplier of oil and natural gas to world markets, especially to Europe, is very uneasy about alternative energy transit projects.

¹ A Russian company, Lukoil, has a 10% stake in this contract. For more details read Nasser Sagheb and Masoud Javadi, "Azerbaijan's "Contract of the Century" finally signed with Western oil consortium", *Azerbaijan International*, Winter 1994 (2.4) http://www.azer.com/aiweb/categories/magazine/24_folder/24_articles/24_aioc.html (accessed September 15, 2008)

² "Nabucco gas pipeline is approved", *BBC News*, June 27, 2006 <http://news.bbc.co.uk/1/hi/business/5121394.stm> (accessed September 15, 2008)

1. Political analysis

Since the 1990s, Moscow has made every effort either to spoil attempts to build transit pipelines outside Russian territory or to take control of alternative routes. The Russian political elite is afraid that Moscow will lose its leverage to influence post-Soviet countries and European Union, and lose revenues from transit fees, once alternative transit routes become available.

(3) The “colour revolutions” in Soviet successor states. Massive electoral fraud in the November 2003 parliamentary polls sparked civil unrest in Georgia and led to the fall of Eduard Shevardnadze’s government. The so-called Rose Revolution was led by US-educated Mikheil Saakashvili, who had the support of a majority of the country’s NGOs and other members of the newly-developed civil society. The success of the Georgian revolution inspired similar events in Ukraine. The so-called Orange Revolution in December 2004, which as in Georgia was triggered by election rigging, swept Viktor Yushchenko and his pro-western coalition to power. Viktor Yanukovich, a pro-Moscow candidate who was openly backed by the Kremlin, was defeated. One year later, rigged elections in Kyrgyzstan sparked the so-called Tulip Revolution.

These events prompted Russian politicians and analysts to openly accuse Washington of conducting a deliberate policy to first encircle Russia and then divide it. New laws were adopted by Moscow to curb foreign funding of Russian NGOs and to put foreign organisations in Russia under tight control.³ Pro-Kremlin youth organisations were set up in Russia⁴ while official propaganda condemned the “colour revolutions”.⁵ Russia viewed “the new wave of democratisation” as a deadly threat to its influence and even its very existence.⁶

(4) The independence of Kosovo. When NATO launched its bombing campaign against Serbia in 1999 to protect the ethnic Albanian minority of Kosovo from the Serbs, Russia felt that its international prestige and credibility were dealt a severe blow. Since the 19th century, Serbia has played a vital role in Russia’s foreign policy. Russian emperors always claimed a stake in the Balkans’ political affairs under the pretext of supporting their fellow Slavic and Orthodox nation. After a long period of the Russian involvement in the Balkans, it was actually the first time that the fate of the region was determined by Russia’s adversary – a western military-political alliance – without heeding Russia’s opinion.

In the following years, opposition to Kosovo’s independence became one of the main elements of Russian foreign policy. Prestige apart, Russia’s objections were caused by the fear that the independence of Kosovo might fuel secessionist movements in its own ethnic enclaves (mainly in the North Caucasus and the Volga region). Kosovo formally declared independence from Serbia on February 17, 2008. Almost immediately, a majority of western countries responded by recognising the former Serbian province as an independent state. Vladimir Putin, the Russian president at the time, condemned the recognition of Kosovo’s independence as “immoral and illegal” and threatened global upheavals.⁷ The Kremlin warned that the Kosovo case would inevitably set a precedent for other “frozen conflicts”, especially in Abkhazia and South Ossetia.

Russia felt that it needed to respond to these events firmly in order to reassert its credibility and prestige as a major world power. After Kosovo’s independence, Russia issued strongly worded political statements but took few practical steps. This led many, separatist authorities among them, to question Russia’s real capabilities.

³ “Russia: Amended Law Threatens NGOs”, *Human Rights News*, December 28, 2005, <http://www.hrw.org/english/docs/2005/12/28/russia12349.htm> (accessed September 9, 2008).

⁴ Leonid Ragozin, “Russian youth on political barricades”, *BBC News*, March 2, 2005. <http://news.bbc.co.uk/2/hi/europe/4308655.stm> (accessed September 10, 2008).

⁵ Robert Coalson, “Russia: Why the Kremlin likes the CIA”, *RFE/RL*, October 1, 2007, <http://www.rferl.org/content/Article/1078841.html> (accessed September 10, 2008).

⁶ Ivan Krastev, “Russia’s post-orange empire”, *Open Democracy*, October 20, 2005, http://www.opendemocracy.net/democracy-ukraine/postorange_2947.jsp (accessed September 5, 2008).

⁷ Fred Weir, “Kosovo independence: Russia warns of separatist storm”, *The Christian Science Monitor*, February. 20, 2008, <http://www.csmonitor.com/2008/0220/p06s01-woeu.html> (accessed September 9, 2008).

Apart from the perceived necessity to protect and/or restore its prestige, Russia's motivation for assertive actions can be explained by several other factors: (1) the global surge in oil and gas prices over the last five years boosted Russia's revenues and pumped billions of petrodollars into its coffers;⁸ (2) the European Union has become increasingly dependent on Russian oil and gas supplies;⁹ (3) world attention is diverted by the wars in Afghanistan and Iraq; and (4) the presidential campaign is in full gear in the USA.

On April 16, Russia undertook the first measures to protect its prestige and its "privileged interests" on the post-Soviet territories.¹⁰ The Russian president decreed the establishment of stronger formal ties with Abkhazia and South Ossetia.¹¹ Earlier, the Kremlin had withdrawn from a CIS resolution¹² on economic sanctions against Abkhazia and restrictions on the deployment of armaments on Abkhaz territory.¹³

After these legislative initiatives, Russia began large-scale military exercises on the Russian-Georgian border, including naval exercises in the Black Sea, which continued almost incessantly from May 2008. The largest of them, codenamed "Caucasus 2008",¹⁴ involved some 8,000 servicemen and lasted until August 3. Russia's military aggression against Georgia, which began on August 8 and culminated in the recognition of South Ossetia's¹⁵ and Abkhazia's¹⁶ independence, was in fact Moscow's final response to the "western offensive".

1.1.2 Domestic policy level

In the March 2008 presidential elections, Dimitry Medvedev, the man chosen by departing president Vladimir Putin as his successor, became the new president of Russia. Speculation has been rife since then – both in Russia and abroad – about the true relationship and the distribution of responsibilities between president Medvedev and prime minister Vladimir Putin, and about who really rules Russia, controls the armed forces and police, and determines the country's foreign policy.

To answer these questions, it is necessary to briefly describe the Russian governance system which emerged in Putin's times. The appointment of Vladimir Putin, a previously little-known figure in Russian politics, as prime minister heralded a new era in Russia – the rule of the so-called *siloviki*. After Putin became president, former KGB men and retired high-ranking military and police officers were promoted to key positions in government and to the boards of large state-run corporations.¹⁷

⁸ Detailed information about the Russian foreign reserves is available at the Russian Central Bank's website: http://www.cbr.ru/eng/print.asp?file=/eng/statistics/credit_statistics/inter_res_08_e.htm

⁹ Ariel Cohen, "Europe's Strategic Dependence on Russian Energy", *The Heritage Foundation, Background #2083*, November 5, 2007, <http://www.heritage.org/Research/Europe/bg2083.cfm> (accessed September 11, 2008).

¹⁰ Following the war with Georgia, Russian president Dimitry Medvedev defined five key principles of the Russian foreign policy, one of which is termed Russia's "privileged interests". For more detailed information read Paul Reynolds, "New Russian World Order", *BBC News*, September 1, 2008, <http://news.bbc.co.uk/2/hi/europe/7591610.stm> (accessed September 11, 2008).

¹¹ "Russian Foreign Ministry's Statement on Putin's Instruction to Boost Ties with Abkhazia and South Ossetia". *Civil Georgia*, April 16, 2008, <http://www.civil.ge/eng/article.php?id=17593> (accessed September 11, 2008).

¹² "Russian Deputy Foreign Minister on Lifting Abkhaz Sanctions", *Civil Georgia*, March 17, 2008, <http://www.civil.ge/eng/article.php?id=17373&search=> (accessed September 10, 2008).

¹³ The full text of the resolution – "1996 CIS Treaty on Abkhaz Sanctions", *Civil Georgia*, March 7, 2008, <http://www.civil.ge/eng/article.php?id=17293> (accessed September 10, 2008).

¹⁴ "Russia Holds Military Exercises in the North Caucasus", *North Caucasus Weekly*, Volume 9, Issue 128, The Jamestown Foundation, July 17, 2008, http://www.jamestown.org/chechnya_weekly/article.php?articleid=2374316 (accessed September 10, 2008).

¹⁵ "About the Recognition of South Ossetia as an Independent State", Decree of the President of the Russian Federation, No. 1261, August 26, 2008 <http://document.kremlin.ru/doc.asp?ID=047560> (accessed September 11, 2008).

¹⁶ "About the Recognition of Abkhazia as an Independent State", Decree of the President of the Russian Federation, No. 1260, August 26, 2008 <http://document.kremlin.ru/doc.asp?ID=047559> (accessed September 11, 2008).

¹⁷ For detailed information about the siloviki and Putin's government read Brian Whitmore, "Inside The Corporation: Russia's Power Elite", *RFE/RL*, October 15, 2007, <http://www.rferl.org/content/Article/1078958.html> (accessed September 11, 2008).

1. Political analysis

As a result, Russia became a super-centralised state without any local self-government. All important decisions were made by Putin and his team, a group of KGB veterans. The eminence grise of Yeltsin's Russia, the so-called oligarchs, lost their influence and power. Rebel oligarchs such as oil company Yukos owner Mikhail Khodorkovsky were either jailed or expelled from the country. The others chose loyalty and cooperation with the authorities.¹⁸

With the presidential elections drawing closer, rivalry among the *siloviki* intensified, as many of them were vying to succeed Putin. Although Putin was their undisputed leader, the *siloviki* obviously lacked unity, largely due to their competing business interests.¹⁹ Russia's bitter historical experience only fuelled tensions among them: losing power in Russia almost invariably means losing property.

The Kremlin considered two main options: granting a third presidential term for Putin (with respective constitutional amendments) or electing one of the first vice premiers, Sergey Ivanov or Dimitry Medvedev, as president. Dimitry Medvedev was chosen as Putin and his team regarded Medvedev as a lesser threat; unlike Ivanov, he had never held any positions in the military, police or security structures. Apart from being a vice-premier, Medvedev simultaneously chaired the Russian energy giant "Gazprom".

In May 2008, after the inauguration of the new president, Vladimir Putin took the post of prime minister while Dimitry Medvedev began building his own team. There was a lot of speculation both in Moscow and abroad about the emergence of a dual-power system in Russia.²⁰ The Russian business elite was affected too as businessmen were trying to understand the new situation and side with the right party.

Quite a few analysts and commentators argued that Medvedev was in favour of close cooperation with the West, and that during his presidency Russian foreign policy would rely mainly on economic tools. In contrast, Putin and his "old guard" were believed to support gunboat diplomacy aiming to restore Russia's former prestige and glory.

The most vivid indication of the growing rift between Medvedev's and Putin's teams came on July 24, 2008, at a meeting between Vladimir Putin and owners of Russia's leading metallurgical works. The prime minister publicly accused the owners of one of the plants, Mechel, of price-fixing and "advised" the investigation committee to probe into the case. On July 31, President Medvedev responded to Putin's outburst at this meeting with a public statement insisting that law-enforcement authorities and governmental officials should stop creating "nightmarish conditions" for Russian businesses.²¹

Putin's visit to China was another symbolic message to the world, designed to demonstrate who really was in charge in Russia and who the West should talk to. The Russian prime minister attended the opening ceremony of the Beijing Olympics alongside other world leaders, while Medvedev was absent on TV screens; he was on vacation.

When the war broke out in Georgia, Putin immediately left Beijing and flew to the North Ossetian capital, Vladikavkaz. He gave orders there as if he, not Medvedev, were the commander-in-chief.²² By winning the war and raising the prestige of the Russian military and security institutions, Putin left

¹⁸ Marshall I. Goldman, "Putin and the Oligarchs", *Foreign Affairs*, November/December, 2004, <http://www.foreignaffairs.org/20041101faessay83604/marshall-i-goldman/putin-and-the-oligarchs.html> (accessed September 8, 2008).

¹⁹ Brian Whitmore, "Russia: as elections near, rivalries in Putin circle heat up", *RFE/RL*, October 15, 2007, <http://www.rferl.org/content/article/1078960.html> (accessed September 8, 2008).

²⁰ "The odd couple", *The Economist*, July 10, 2008, http://www.economist.com/world/europe/displaystory.cfm?story_id=11708197 (accessed September 9, 2008).

²¹ Jonas Bernstein, "Prime-minister dominates economic, foreign and security policies", *Eurasia Daily Monitor*, Volume 5, Number 150, The Jamestown Foundation, August 6, 2008, http://www.jamestown.org/edm/article.php?article_id=2373290 (accessed September 5, 2008).

²² "War shows that Putin is running things in Russia", *NPR*, August 15, 2008, <http://www.npr.org/templates/story/story.php?storyId=93616167> (accessed September 11, 2008).

no room for doubt as to who really runs Russia and which group will determine the country's future for years to come: these are Vladimir Putin and his fellow *siloviki*, respectively.²³

1.1.3 Individual level

To have a better understanding of Russia's foreign policy in general, and its attitude towards Georgia in particular, it is necessary to look at Vladimir Putin's mindset and values.

Putin's views and his outlook on the world in general were shaped by his experience as a KGB officer. Antagonistic and black-and-white thinking is the hallmark of the Russian security service.²⁴ He and his fellow KGB men began their careers under the legendary Yuri Andropov. In their view, it was Yuri Andropov who sought to reform the Soviet economy and maintain the leading role of the security services in the country. Not by chance, a monument to Andropov was put up in Petrozavodsk during Putin's tenure, in 2004.²⁵ Putin's utterance that the break-up of the Soviet Union was the "greatest geopolitical catastrophe of the century" can serve as a vivid illustration of his vision for Russia's role and place in the world.²⁶

Putin's dislike of Georgia and the Georgian president Mikheil Saakashvili dates back to 2004. The president who came to power on the back of the Rose Revolution and was labelled a "US agent" by the state-controlled Russian media, He was unacceptable to the Russian leadership.²⁷ Saakashvili has become a symbol of the post-Soviet "colour revolutions". The young Georgian president openly backed similar revolutions in Ukraine and Kyrgyzstan, further infuriating Moscow.

The CIS summit in the fall of 2004 provided the opportunity for the newly elected Georgian president Mikheil Saakashvili and his Russian counterpart Vladimir Putin to meet each other. At a joint press conference, Putin and Saakashvili openly clashed over the problem of Georgia's territorial integrity, something unprecedented in the history of the CIS.²⁸ Saakashvili became the main pro-American leader in the CIS, on territory that Russia has always viewed as its backyard.

Putin's irritation became stronger after the Georgian president publicly dubbed him "Lilliputin",²⁹ a clear hint at the Russian president's physique. (Vladimir Putin is a rather short man.) Many prominent pundits pointed out that Russian-Georgian relations were gradually turning into a personal feud between Putin and Saakashvili. In their opinion, Russian policy on Georgia was often influenced by Putin's personal animosity towards Saakashvili.³⁰

This antipathy and the desire to take revenge were accompanied by Putin's ambition to build up personal glory and assert his leadership in Russia. The war with Georgia provided Vladimir Putin with a good opportunity to achieve both goals.

²³ Ivan Sukhov, "Russia: how the new 'cold war' plays at home", *Open Democracy*, August 29, 2008, <http://www.opendemocracy.net/Russia/article/Russia-how-the-new-cold-war-plays-at-home> (accessed September 10, 2008).

²⁴ To learn how the experience of work in the Russian security service affects the political leadership's mindset in contemporary Russia read Robert Coalson, "Russia: Why The Chekist Mind-Set Matters", *RFE/RL*, October 15, 2007, <http://www.rferl.org/content/article/1078954.html> (accessed September 11, 2008).

²⁵ Brian Whitmore, "Inside The Corporation: Russia's Power Elite", *RFE/RL*, October 15, 2007, <http://www.rferl.org/content/Article/1078958.html> (accessed September 11, 2008).

²⁶ V.V.Putin, "Address to the Federal Assembly of the Russian Federation", April 25, 2005, http://www.kremlin.ru/appears/2005/04/25/1223_type63372type63374type82634_87049.shtml (accessed September 11, 2008).

²⁷ Owen Matthews, "Why puppetmaster Putin is more dangerous than ever", *The Daily Mail*, August 12, 2008, <http://www.dailymail.co.uk/news/article-1043684/Why-puppetmaster-Putin-dangerous-ever.html> (accessed September 9, 2008).

²⁸ CIS Summit reveals rift in Russian-Georgian Relations, *Civil Georgia*, September 17, 2004, <http://www.civil.ge/eng/article.php?id=7852&search=> (accessed September 13, 2008).

²⁹ Zygmunt Dzieciolowski, "Georgia's President Saakashvili, on the eve of war", *Open Democracy*, August 11, 2008, <http://www.opendemocracy.net/russia/article/georgias-president-saakashvili-on-the-eve-of-war> (accessed September 8, 2008).

³⁰ Yulia Latinina, "Looking Into Saakashvili's Caucasus Soul", *The Moscow Times*, August 20, 2008, <http://www.themoscowtimes.ru/article/1016/42/370026.htm> (accessed September 8, 2008).

1.1.4 Influence

The Russian military intervention in Georgia led the world to reinterpret Moscow's foreign policy goals, and to reconsider Russia's place in the international system. After the collapse of the Soviet Union, some in the West believed that Russia would develop into a democratic country. They also thought that Putin's assertive foreign policy was more or less appropriate for an economically ascendant country. Russia became a member of the G7, an informal grouping of leading industrial countries (now G8), and Russian companies were listed in major foreign stock exchanges. Russia also emerged as a major player in world energy markets, with the EU heavily reliant on Russian oil and gas supplies.

The Russian economy was the first to feel the negative effect of the military aggression. According to various estimates, several billions USD in foreign investment capital fled Russia, the benchmark Russian Trading System (RTS) stock index dropped to its lowest level, and several of the biggest foreign investors pulled out of the country. The central bank of Russia had to pour a huge amount of cash into the money markets to keep the Russian rouble from falling.³¹

Apart from the economic damage, Russia is facing military fall-out from the war. The Central European and Baltic states are seeking to strengthen their military ties with Washington. After the Russian invasion of Georgia, Poland rushed to sign a deal with the USA to place elements of the US missile defence system on Polish soil.³² Other Eastern European countries are expected to follow suit. Following the conflict, the US and NATO naval presence in the Black Sea has become almost permanent, leaving Russia seething with anger.³³ Meanwhile, the Pentagon promised to do its best to help rebuild the Georgian armed forces.³⁴ It cannot be ruled out that Georgia will upgrade its military cooperation with the USA and NATO in the near future.

American and EU leaders openly censured Moscow for its actions in Georgia and suggested that Russia may face international isolation.³⁵ Their critical attitude may become even stronger in the future. The European Union is likely to step up its efforts to develop alternative energy transit routes (see below). The USA suspended its civilian nuclear cooperation deal with Moscow. In addition, Russia's bid to join the World Trade Organisation (WTO) is now in question.³⁶ Russian economic growth will certainly slow down.

Russia failed to secure the support of CIS and the Shanghai Cooperation Organisation. Despite the Kremlin's pressure, no member of the CIS, a Russia-controlled alliance, has recognised the independence of Abkhazia and South Ossetia so far.³⁷ The Shanghai Cooperation Organisation, an alliance of

³¹ "The Outflow of Foreign Capital from Russia Prompts the Banks to Limit Credit", *Liga Novosti*, September 10, 2008, <http://news.liga.net/smi/NP080736.html> (accessed September 12, 2008); "Russia's Foreign Capital Reserves Lost Nine Billion Dollars in a Week", *Vremya Novostei*, September 11, 2008. <http://vremya.ru/news/1021119.html> (accessed September 11, 2008); Charles Clover and Peter Garnham, "Moscow forced to shore up rouble", *Financial Times*, September 4, 2008, <http://www.ft.com/cms/s/0/a56c6662-7ab7-11dd-adbe-000077b07658.html> (accessed September 12, 2008).

³² Thom Shanker and Nicholas Kulish, "Poland-U.S. missile deal draws anger from Russia", *International Herald Tribune*, August 15, 2008, <http://www.iht.com/articles/2008/08/15/europe/missile.php> (accessed September 12, 2008).

³³ Andrew E. Kramer, "NATO Ships in Black Sea Raise Alarms in Russia", *The New York Times*, August 27, 2008, http://www.nytimes.com/2008/08/28/world/europe/28russia.html?_r=1&oref=slogin (accessed September 12, 2008).

³⁴ "Pentagon set on mission to rebuild Georgian military", *Yahoo News*, September 9, 2008, http://news.yahoo.com/s/afp/20080909/pl_afp/georgiarussiaconflictusmilitary_080909200602 (accessed September 12, 2008).

³⁵ "Rice: U.S. and Europe must stand up to Russia together", Speech at German Marshall Fund, September 18 <http://www.gmfus.org/event/rice-russia.cfm> (accessed September 21, 2008) "Miliband warns over Russia crisis", *BBC News*, August 28, 2008, http://news.bbc.co.uk/2/hi/uk_news/politics/7585527.stm (accessed September 12, 2008); Omid Ghoreishi, "EU Criticizes Russia, Postpones Partnership Talks", *The Epoch Times*, September 1, 2008, <http://en.epochtimes.com/n2/world/eu-criticizes-russia-3680.html> (accessed September 12, 2008).

³⁶ "Russian deputy PM dismayed by lack of progress in WTO talks", *RIA Novosti*, September 5, 2008, <http://en.rian.ru/world/20080905/116572584.html> (accessed September 5, 2008).

³⁷ «Leaders of OCST Condemned Georgia but Stopped Short of Recognising Abkhazia and South Ossetia, and Said They Would Decide on the Matter on Their Own», *Newsru.com*, September 5, 2008, <http://newsru.com/russia/05sep2008/sami.html> (accessed September 12, 2008); "The Silence of the Allies", *Nezavisimaya Gazeta*, September 4, 2008, http://www.ng.ru/politics/2008-09-04/1_silence.html (accessed September 7, 2008).

several CIS countries, Russia, and China, also refrained from endorsing the birth of the two independent republics of South Ossetia and Abkhazia, largely due to China's cautious position.³⁸ The Russian invasion of Georgia will certainly make CIS countries more wary of Moscow's intentions. In the long term each of them – especially those facing the danger of separatism on their own territories – will seek alternative alliances.

1.2. Soviet successor states and main powers

The reactions of the CIS countries, the US and the European Union to the Russian military aggression against Georgia and the likely impact of the war on their future policies are examined below.

1.2.1 CIS

Following the military conflict with Georgia, Russian president Dimitry Medvedev defined the Kremlin's new foreign policy principles. Among them, he stated that the former Soviet republics were in the sphere of Russia's "privileged interests". In fact, Moscow made it clear to the West that following the Russian-Georgian war, it would not tolerate western attempts to limit its influence in what Russia sees as its backyard, first of all in the CIS.³⁹

During the conflict and in the post-conflict period, a majority of CIS countries abstained from any harsh statements and instead adopted a wait-and-see approach. They now fear that they too may come under Russian pressure, and may even become the next target of Russian aggression if Moscow perceives them as excessively pro-western. The Russian-Georgian war only underscored that Moscow has quite powerful leverage at its disposal.

Russia argued that it had to send troops to Georgia to protect its citizens there. This argument is reflected in Russia's new foreign policy principles, which state that Moscow's "unquestionable priority" is to protect the life and interests of Russian citizens in every country. The Russian-Georgian war has created a precedent for such Russian intervention in any post-Soviet country with ethnic Russian enclaves.⁴⁰

The Russian military attack against Georgia aimed to undermine the Caucasus country's reputation as a safe alternative transit route for Caspian energy. Russia views pipelines on Georgian territory⁴¹ as a threat to its national interests. The war in Georgia was in fact Moscow's message for oil- and gas-rich Caspian countries that Russia opposes any alternative routes and wants oil and gas to get to the West only through Russian territory.

The attitude of the CIS countries towards the Russian-Georgian war reflects the degree of their loyalty to the Kremlin. At a meeting in Moscow on September 5, the signatories to the CIS Collective Security Agreement – Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Belarus and Armenia – backed, albeit without much enthusiasm, Moscow's policy in Georgia. In the final declaration of the meeting they endorsed Russia's actions but stopped short of recognising the independence of the separatist regions,⁴² indicating that they were not fully under Russian control.

³⁸ Russia: The kremlin tries to put on brave face following diplomatic slap over georgia, *EurasiaNet.Org*, August 28, 2008, <http://www.eurasianet.org/departments/insight/articles/eav082808b.shtml> (accessed September 12, 2008).

³⁹ Paul Reynolds, "New Russian world order: the five principles", *BBC*, September 1, 2008, <http://news.bbc.co.uk/2/hi/europe/7591610.stm> (accessed September 8, 2008).

⁴⁰ Ethnic Russians constitute 29.9% of the total population in Kazakhstan, 17.3% in Ukraine, 11.4% in Belarus, 5.9% in Moldova, 28.0% in Latvia, 25.6% in Estonia, and 5.2% in Lithuania. "Cold comfort", *The Economist*, September 4, 2008, http://www.economist.com/world/europe/displayStory.cfm?source=hptextfeature&story_id=12052710 (accessed September 8, 2008).

⁴¹ Baku-Tbilisi-Supsa and Baku-Tbilisi-Ceyhan oil pipelines, and Baku-Tbilisi-Erzurum gas pipeline.

⁴² "Russia's Partners in OCST Postponed Decision on the Status of Abkhazia and South Ossetia", *Izvestia*, 5.09.08, <http://www.izvestia.ru/news/news187394> (accessed September 5, 2008); Marina Perevozkina, "Moscow's Tough Stance Encouraged the Allies", *Nezavisimaya Gazeta*, 09.09.08, http://www.ng.ru/cis/2008-09-06/100_odkb.html?mthree=1 (accessed September 9, 2008).

1.2.1.1 Central Asia

For the landlocked and energy-rich Central Asian states, Georgia is an important alternative route for sending their oil and gas to western markets while bypassing Russia. As the West's position is still weak in the region compared with Russian influence, the balance is still tipped in favour of the Russian routes. That is why it is crucial for Central Asian countries to maintain loyalty to Moscow. If Russia's aggressive actions lower western influence in Georgia, the Central Asian republics will become more pro-Russian. Several factors are important from this viewpoint.

Firstly, by waging a war against Georgia, Russia in fact warned the Central Asian countries that any attempt to transit energy past Russian territory would be considered by the Kremlin as an anti-Russian policy. If the West fails to secure the Georgian route for energy transits, Central Asian states will become more dependent on Russia. In the wake of the Russian-Georgian war, on September 2, Vladimir Putin was quick to visit Uzbekistan to assure leaders there that Moscow was willing and able to buy its energy resources at European prices. Earlier, a similar agreement had been reached with Turkmenistan.⁴³

Secondly, if the Georgian crisis deepens, the credibility of the West (and especially the USA) as a reliable partner for Central Asian states will be damaged. Today, Central Asian autocratic governments – including Uzbekistan – cooperate with the US in one way or another. But if Georgia becomes weaker, their “excessive friendship” with the West may end in failure, especially as the West is far from happy with their poor human rights records and authoritarian leaderships. If so, Central Asian leaders (who are famous for their political pragmatism) may prefer warm relations with Russia – even though it may increase their dependence on Moscow – to risky cooperation with the West.

Thirdly, the Russian-Georgian war demonstrated that Russia was willing and ready to use military force against other countries under the pretext of defending its citizens there. This message is especially disturbing for Kazakhstan, where one third of the population has a Russian ethnic background. Besides, Central Asian countries face additional dangers as they too have autonomous republics and ethnic enclaves.⁴⁴ Moscow has successfully tested the “Georgian scenario” (distribution of Russian passports preceding military intervention to protect Russian citizens) and can now use it against ethnically mixed Central Asian states if they are not loyal enough.

Despite Russian pressure, Central Asian republics are unlikely to recognise Abkhazia's and South Ossetia's independence in the near future. But their support for alternative pipelines will weaken and remain lukewarm until the European Union and US successfully counter Russia's military ambitions in Georgia and build new pipelines on Georgian territory to bypass Russia.

1.2.1.2 Belarus

Russia had no doubts that Belarus would support its military operation in Georgia. However, the Byelorussian president Alexander Lukashenko was noticeably silent in the first days of the conflict, prompting accusations of “treachery” from Moscow. Lukashenko welcomed Russia's decision to recognise the independence of Abkhazia and South Ossetia but stopped short of doing the same. His reluctance to recognise the separatist regions as independent states was viewed as a positive signal in western capitals. The first signs of rapprochement between Belarus and the West are already evident. Western governments announced that visa regime with Belarus would be eased, the European Union agreed to hold talks with the Byelorussian foreign minister, and the USA suggested that sanctions against Byelorussian companies could be lifted.⁴⁵

⁴³ “Russia and Uzbekistan Agreed that Gas Prices Would Be on the European Level”, *RIA Novosti*, 2.09.08.

⁴⁴ There are large Uzbek communities in Tajikistan and Kirgystan, while ethnic Tajiks reside in Uzbekistan. Besides, Karakalpak people, who are ethnically and linguistically different from the Uzbeks, live in western Uzbekistan.

⁴⁵ David Marples, “Belarus responds cautiously to Georgian crisis”, *Eurasia Daily Monitor*, September 2, 2008, http://www.jamestown.org/edm/article.php?article_id=2373335 (accessed September 10, 2008).

The heightened tensions between Russia and the West triggered by the Russian-Georgian conflict gave Belarus significant room for manoeuvre in its foreign relations. Despite Lukashenko's authoritarian style of leadership, the West seems to have realised that further isolation of Minsk will only strengthen Moscow's position in Belarus. While Russia continues to bring pressure to bear on the Belorussian authorities, Minsk will recognise the independence of the separatist republics only if western powers continue to isolate Belarus.⁴⁶

1.2.1.3 Armenia

Among Russia's allies it was Armenia that suffered the greatest impact from the Russian-Georgian war. Due to the ongoing blockade of Armenia by Azerbaijan and Turkey, Georgia is seen by Yerevan as vital link between that country and the rest of the world.⁴⁷ When Russian troops destroyed a key railway bridge in Georgia, Armenia was quick to send materials and engineers to assist the reconstruction of the bridge.⁴⁸

The war posed a foreign policy dilemma for Armenia. As Moscow's most faithful ally in the region, Armenia was expected to endorse the Russian aggression against Georgia. But its heavy reliance on Georgia as a crucial transport link to reach the outer world caused Yerevan to adopt a more moderate position in order to avoid irritating Tbilisi. Despite strong pressure from Moscow, it was only on August 13 that the Armenian president Serzh Sarkisian phoned Dimitry Medvedev to praise Russia's efforts to bring "stability" to the region. However, he refused to recognise the independence of Abkhazia and South Ossetia.⁴⁹

The Russian-Georgian war may become an important milestone for Armenian foreign policy. Russia's recognition of two breakaway republics in the South Caucasus has serious implications for the problem of Nagorno-Karabakh. During the Russian-Georgian confrontation, Yerevan called for the peaceful resolution of the conflict. The Armenian leadership hopes that Azerbaijan will learn the Georgian lesson and never attempt to restore its territorial integrity by force, while the independence of Abkhazia and South Ossetia may pave the way for recognition of Nagorno-Karabakh.

The Russian-Georgian conflict convinced Yerevan that it was time to normalise relations with Turkey and set aside its historical grudges. "Football diplomacy" reached a new level in Armenia on September 6, when the national teams of Armenia and Turkey met for their first-ever match in a World Cup qualifier in the Armenian capital.⁵⁰ The Turkish leader's unprecedented visit to Yerevan and his talks with Serzh Sarkisian raised hopes of better relations between the two countries, although there is still a long way to go.

If Armenian-Turkish relations improve, Georgia will become more vulnerable to Russian pressure. If Armenia can use alternative transport routes, Moscow may stop all transits (including natural gas) via Georgia and put Tbilisi under increased pressure.

⁴⁶ From this viewpoint, it is important that Moscow has already announced that the price of Russian gas for Belarus will remain unchanged and offered a \$2 billion loan to Minsk.

⁴⁷ According to the Armenian official sources, the Russian-Georgian war inflicted \$680 million losses on Armenia's national economy. Almost 70% of Armenia's foreign trade go through Georgian ports and railway/motorway networks. Hovannes Shoghikian, "Armenia claims huge losses from Georgian crisis", *Armenialiberty*, September 3, 2008, <http://www.armenialiberty.org/armeniareport/report/en/2008/09/78A3F6D5-0F3E-4908-911D-B91CE3CD6312.ASP> (accessed September 4, 2008).

⁴⁸ Shakeh Avoyan, "Armenia scrambles to restore vital supplies via Georgia", August 18, 2008, <http://www.armenialiberty.org/armeniareport/report/en/2008/08/F3509195-D04E-4187-AA45-23B61ACF430F.asp>, (accessed September 19, 2008).

⁴⁹ Hovannes Shoghikian, "Russia seeks Armenian recognition of Georgian regions", *Armenialiberty*, September 3, 2008, <http://www.armenialiberty.org/armeniareport/report/en/2008/09/93D9ECA8-7301-4920-BF20-9056B6124D20.ASP> (accessed September 4, 2008).

⁵⁰ Emil Danielyan, "Armenia, Turkey ease tensions after historic Erevan summit", *Armenialiberty*, September 8, 2008, <http://www.armenialiberty.org/armeniareport/report/en/2008/09/640B3F40-F23A-443D-8CB7-A8F24A7FD6E8.ASP> (accessed September 9, 2008).

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1.2.1.4 Azerbaijan

In the first days of the war Azerbaijan declared that regaining the lost territories by military force was the right solution. Later, however, Baku refrained from such statements, apparently trying to avoid irking Russia. Two aspects of the Russian-Georgian war are important for Azerbaijan.

Firstly, if Tbilisi had succeeded in bringing South Ossetia back into the fold, Azerbaijan would have had a stronger argument for resolving the problem of Nagorno-Karabakh by military means. Azerbaijan's defence budget is increasing year by year, and a military solution to the Karabakh problem is a popular talking point for the Azerbaijani political elite. But the Georgian experience is likely to discourage Baku from using its armed forces to regain Nagorno-Karabakh. Baku understands that the Russian-Georgian war is a good illustration of what a military conflict with Russia's ally may entail. At the same time, Georgia's failure to restore its territorial integrity by force has eased the pressure from political hawks and hundreds of thousands of refugees on Azerbaijani president Ilham Aliyev.

Secondly, the conflict may urge Azerbaijan to revise its foreign policy if the West, and especially the US, fails to protect Georgia from the Russian aggression and fails to provide the country with strong economic and military assistance in the post-war period. If so, Ilham Aliyev could find it advantageous to strengthen ties with Moscow. The fact that Aliyev's talks with US vice president Dick Cheney ended without any specific results is one of the indications that Azerbaijan has resorted to a wait-and-see policy; Aliyev had a telephone conversation with Dimitry Medvedev after the talks.⁵¹

1.2.1.5 Moldova

Having waged war on Georgia, the Kremlin may now want to use the Trans-Dniester problem in Moldova to improve its tarnished reputation and teach the West a lesson in the "peaceful resolution" of conflicts. Even before the Russian-Georgian war, the Russian president held separate meetings with the leaders of Moldova and Trans-Dniester, Vladimir Voronin and Igor Smirnov, and may soon host a face-to-face meeting between them. Moscow again appears willing to broker the so-called Kozak peace plan, which was rejected by Voronin several years ago, largely due to western pressure. In return for its mediation in settling the conflict, the Kremlin wants Moldova to declare political neutrality, grant the Trans-Dniester region wide autonomy, and agree to a Russian military presence in Trans-Dniester for at least 20 years.⁵² On the one hand, Chisinau's consent to the plan may create the illusion that the conflict is resolved. On the other hand, however, it may transform Moldova into a Russian stronghold in the heart of Europe. Moscow would be able to claim that loyalty to Russia is a sine qua non for the settlement of "frozen conflicts" and use this argument as a trump card against the West.

1.2.1.6 Ukraine

Ukraine was the only CIS country to really confront Moscow as a sign of solidarity with Georgia. Kiev limited the freedom of movement of Russia's Black Sea Fleet based in Sevastopol.⁵³ Besides, in a move regarded as hostile by Moscow, the Ukrainian president Viktor Yushchenko visited Tbilisi at the height of the conflict to demonstrate his support.

Ukraine's position stemmed from Kiev's pro-western policies and the personal friendship between Viktor Yushchenko and Mikheil Saakashvili. Yushchenko's political team and western

⁵¹ "Azerbaijan: Baku officials, US diplomats deny Cheney blow-up", *Eurasia Insight*, September 10, 2008, <http://www.eurasianet.org/departments/insight/articles/eav091008a.shtml> (accessed September 11, 2008).

⁵² Igor Glanin, "Talks Enforcement", *Vremia Novostey*, 4.09.08, <http://www.vremya.ru/2008/162/4/211962.html> (accessed September 4, 2008).

⁵³ "Yushchenko decrees restrict Russian fleet", *Ukrainian Journal*, August 13, 2008, <http://www.ukrainianjournal.com/index.php?w=article&id=6989> (accessed 14 August, 2008).

political circles are well aware that after the Russian military operation against Georgia, Ukraine may become the next target for Russia; Moscow is furious at Kiev's plans to join NATO in the future.

Due to several factors, however, Ukraine's position has weakened in the post-conflict period.

Firstly, many people living in Ukraine are against Ukraine's membership in NATO and favour closer ties with Russia.⁵⁴ There are deep political divisions between the western and eastern parts of the country. The Russian political elite, which is seeking to restore Russia's former dominance and strength, threatened that if Ukraine moved closer to the West, eastern and southern Ukrainian regions would inevitably secede from the rest of the country.⁵⁵ Russian politicians have made repeated public statements that Russia should reclaim Crimea. Moscow mayor Yuri Luzhkov is the most vocal proponent of this idea, calling Sevastopol a "Moscow region".⁵⁶ Angered by his remarks, Kiev has banned Luzhkov from travelling to Ukraine. If the position of the West weakens in Georgia, and if Viktor Yushchenko continues his anti-Russian rhetoric and pro-NATO course, Russia will encourage separatist tendencies in Ukraine – beginning in Crimea, home to Russia's Black Sea Fleet. According to the Ukrainian foreign ministry, the Russian consulate has begun issuing Russian passports to Ukrainian citizens in Simferopol without the Ukrainian government's approval.⁵⁷ Russia may "punish" Kiev for disloyalty by sending its troops to Ukraine under the pretext of defending its citizens there, on the basis of its new foreign policy principles.

Secondly, even if Russian aggression fails to succeed in Georgia, Ukraine's pro-western president is likely to face serious political challenges at home. Prime minister Yulia Tymoshenko, once a political ally of the president, is accused by Yushchenko's team of siding with the pro-Russian opposition and of working in Russia's interests in a bid to become president. Tymoshenko is said to have strong presidential ambitions, counting on Moscow's support in next year's Ukrainian presidential election.⁵⁸ If the West's positions in Georgia remain strong, Moscow will try to undermine Kiev's pro-western course anyway and try to instigate political turmoil in Ukraine.

1.2.2 The United States of America

1.2.2.1 International system level

During the Russian-Georgian conflict, the US preferred to focus mainly on humanitarian aid to Georgia and criticizing Russia's actions, giving the European Union a free hand in mediating a ceasefire agreement between Russia and Georgia.⁵⁹ Washington chose this approach largely due to Moscow's position; the Kremlin openly accused the USA of instigating the conflict in South Ossetia and sup-

⁵⁴ Andreas Umland, "Ukraine, NATO, and German Foreign Policy: Berlin and Russian Interests in the Former USSR", *American Chronicle*, April 20, 2008, <http://www.americanchronicle.com/articles/59200> (accessed 10 May, 2008).

⁵⁵ In Vladimir Putin's opinion, Ukraine is not a full-fledged state yet. He warned that if Ukraine were granted MAP at the NATO summit in Bucharest the country would fall apart. According to some diplomatic sources, Putin told the US president George Bush that Ukraine was not a state at all. "Putin Hints At Splitting Up Ukraine", *The Moscow Times*, April 8, 2008, <http://www.moscowtimes.ru/article/1010/42/361701.htm> (accessed 6 September, 2008).

⁵⁶ Andrey Kurkov, "Is Ukraine next?", *New Statesman*, September 4, 2008, <http://www.newstatesman.com/europe/2008/09/russia-ukraine-georgia> (accessed September 19, 2008).

⁵⁷ Svetlana Gamova, "Passports May Become the Reason of Beating in Crimea", *Nezavisimaya Gazeta* 08.09.2008, http://www.ng.ru/week/2008-09-08/12_sng.html?mthree=2 (accessed September 9, 2008).

⁵⁸ Graham Stack, "Ukraine in suspense over Tymoshenko's NATO position", *Russia Profile*, September 8, 2008, <http://www.russiaprofile.org/page.php?pageid=Business+New+Europe&articleid=a1220858884> (accessed 9 September 2008).

⁵⁹ Immediately after the end of hostilities, USA sent \$38 million worth of aid to Georgia to address the country's humanitarian needs. US transport aircraft carried out 62 humanitarian flights from August 13 to September 4. Besides, three American warships arrived in Georgian ports with humanitarian missions. Daniel Fried, "The Current Situation in Georgia and Implications for U.S. Policy", Testimony before the Senate Committee on Armed Services, *U.S. Department of State*, September 9, 2008, <http://www.state.gov/p/eur/rls/rm/109345.htm> (accessed September 10, 2008).

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porting Georgia.⁶⁰ This suggests that Russia would have hardly agreed to American mediation and there would have been fewer chances of the conflict ending soon.

Washington's actions at the international level were determined by several factors.

Firstly, following the fall of the Soviet Union, America has made persistent efforts to promote democracy and a free market economy in Soviet successor states, something viewed in Moscow as an attempt to curb Russia's influence in its own backyard. From this viewpoint, it is important to recall US president George Bush's statement during his visit to Tbilisi in 2005 in which he called Georgia a "beacon of liberty and democracy" for the world, and especially for the region.⁶¹

Secondly, Georgia plays a pivotal role in the US administration's energy policy. Thanks to Washington's support, the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline were constructed in the 1990s as a way to deliver gas and oil to European markets without transiting Russia or Iran. Moscow believed that these projects were designed to weaken Russian influence in the region and to reduce the West's dependence on Russian energy supplies. If the West is able to maintain its positions in Georgia and prevent further Russian military aggression against the country, the western policy of diversification of energy sources will get a serious boost. But if the USA takes a passive position, energy-rich Caspian countries will hardly support transit projects on Georgian territory, trying to avoid confrontation with Russia.

Thirdly, it is a matter of prestige for the US to defend the "beacon of democracy" from new Russian aggressions. Georgia is seen as America's reliable partner (before the war its military contingent in Iraq was the third largest after those of the US and Great Britain). The Georgian political elite is distinctly pro-western and especially pro-American. If Russian influence increases in Georgia, US international prestige will be damaged, and CIS countries will become more wary of cooperation with the USA.

1.2.2.2 Domestic policy level

For the first time in the history of US presidential campaigns, the problem of Georgia has become a domestic political issue. Both presidential hopefuls – Republican John McCain and Democrat Barack Obama – voiced support for Georgia. The McCain campaign even accused Obama of being too soft on Russia.⁶² US lawmakers and politicians from across the American political spectrum agree that the need to protect Georgia is one of the top priorities of US foreign policy. This issue will remain on the agenda regardless of who becomes the next US president. There is also bi-partisan support in the USA for the administration's plan to provide economic and military aid to Georgia.⁶³

1.2.2.3 Individual level

The current US administration has a special attitude towards Georgia. It was during George Bush's presidency that the Rose Revolution happened in the country and vital reforms were implemented with Washington's support. That is why a failure of White House policy in Georgia will be seen as a blow to George Bush in the last days of his political career. It means that the current US administration has a strong motivation to support Georgia.

⁶⁰ Steven Lee Myers, "US to Announce \$1 Billion Georgia Aid Package", *The New York Times*, September 3, 2008, http://www.nytimes.com/2008/09/04/world/europe/04cheney.html?_r=1&hp&oref=slogin (accessed September 3, 2008).

⁶¹ Office of the Press Secretary, May 10, 2005, <http://www.whitehouse.gov/news/releases/2005/05/20050510-2.html> (accessed on May 11, 2005).

⁶² Ewen MacAskill, "US election: Republican catches fire as McCain's ex-rivals delivers speeches critical of Obama", *Guardian*, September 4, 2008, <http://www.guardian.co.uk/world/2008/sep/04/uselections2008.republicans20086> (accessed September 4, 2008).

⁶³ Heather Maher, "Congress questions Bush officials on Georgian aid, response to Russia", *RFE/RL*, September 10, 2008, http://www.rferl.org/content/Congress_Questions_Bush_Officials_On_Georgian_Aid_Response_To_Russia_/1197713.html (accessed September 10, 2008).

1.2.2.4 Influence

If Washington's policy is successful in Georgia, i.e. if Russian troops are pulled out of the buffer zone, Georgia's government system and national economy remain functional, and democratic processes continue unabated, US influence in the region will increase substantially, nearby countries will be more willing to cooperate with the US, and prospects of alternative energy transit projects will improve.

But if Washington's policy fails, the USA will no longer be viewed as a reliable partner, its international prestige will be harmed, and its influence in the region will decline. The outlook for alternative energy transit projects will become gloomier and Russia's role in the region, and in the world in general, will grow.

1.2.3 The European Union

1.2.3.1 International system level

The European Union's policy on Georgia is largely influenced by the attitude of its leading members towards Russia. The European Union carefully measured its support for Georgia to make sure that its actions did not anger Moscow too much. The EU preferred a moderate position on Georgia and to cooperate with the country in less politicised areas, whereas NATO's every move or decision regarding Georgia was invariably seen as a hostile act.

Europe's dependence on Russian energy is a decisive factor in the European Union's policy.⁶⁴ The European Union, especially its old members, thought that it would be unreasonable to put its relationship with Moscow at risk because of the Georgian crisis. However, after Russian troops invaded Georgian territories, especially those outside the conflict zones, and after Moscow recognised the separatist regions as independent on August 26, the European Union decided to revise its relations with Russia. The European Union made it clear that there would no business as usual with Russia until Russian troops had fully pulled out of Georgia.⁶⁵

The new EU members, especially Lithuania, Latvia, Estonia, and Poland, which are much more fearful of Russian aggression than other EU members are, gave the strongest support to Georgia. Sweden and the UK sided with them and called for tough sanctions on Russia. In contrast, Italy took a much softer position and objected to sanctions on Moscow.⁶⁶ France and Germany proposed to increase assistance to Georgia instead of imposing sanctions on Russia.⁶⁷ The difference of opinion among individual EU states was the main factor that led the European Union to adopt a balanced approach: on the one hand, no sanctions were imposed on Russia in order to keep the door open for cooperation with Moscow; on the other hand, EU-Georgia relations were enhanced, albeit without promises of eventual membership.

1.2.3.2 Domestic policy level

In the UK, unlike other EU states, the Russian military intervention in Georgia became a domestic political issue. David Cameron, the leader of the Conservative Party, was the first British politician

⁶⁴ Dependence of the leading EU member states on Russian gas and oil, according to 2006 statistical data: France: natural gas – 23%, oil – 15%; Germany: natural gas – 40%, oil – 34%; Italy: natural gas – 32%, oil – 23%. Some EU countries are 100% dependent on Russian gas, for instance Bulgaria, Slovakia, Finland, Estonia, Latvia and Lithuania. *Enoi Wogr*, 2006, <http://www.eni.it/>; *Eurostat*, <http://www.eurostat.com/>.

⁶⁵ "No more business as usual?", *The Economist*, August 19, 2008, http://www.economist.com/world/europe/displayStory.cfm?story_id=11955660&source=features_box_main (accessed 20 August, 2008).

⁶⁶ "Italy's Frattini on South Ossetia Crisis: 'Mistake To Keep Russia Out' of WTO," *Official website of the Ministry of Foreign Affairs of Italy*, <http://www.esteri.it/MAE/EN/Home.htm>.

⁶⁷ "EU reaches out to Georgia but membership not on the cards", *EUbusiness*, September 2, 2008, <http://www.eubusiness.com/news-eu/1220359623.06> (accessed September 2, 2008).

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to visit Georgia after the war. He arrived in Tbilisi on August 16 to voice strong support for Georgia on behalf of the UK government and the British opposition.⁶⁸ During the crisis Prime Minister Gordon Brown was on vacation,⁶⁹ while the Foreign Secretary visited Georgia only on August 19.⁷⁰ The British political elite's unanimous stance on the Russian-Georgian conflict suggests that support for Georgia will remain one of the priorities of London's foreign policy for some time to come.

1.2.3.3 Individual level

The European Union's passive position during such a serious international crisis would be a clear indication of its weakness. Today the EU has assumed the role of chief mediator in the conflict, largely due to the "personal factor". Immediately after taking office, Nicolas Sarkozy showed his determination to address various international crises in the world. His direct involvement helped free hostages in Libya and Columbia. But the Russian-Georgian war was a different challenge for the French leader. The fact that Mr. Sarkozy, the current president of the European Union, stepped in to broker a ceasefire agreement in the first days of war suggests that it was a matter of prestige for him to settle the crisis.

1.2.3.4 Influence

The Russian-Georgian conflict will increase the engagement of the European Union in Georgia. Consequently, it will be able to play a greater role in the South Caucasus. The European Union's large-scale economic and political support for Georgia and closer EU-Georgia ties will help the country recover from the conflict quickly, while the EU's international prestige will grow considerably.

Diversification of energy sources has become an urgent theme for the European Union, an aspect reflected in the final resolution of the EU summit on September 1. The Russian-Georgian war highlighted the danger of Russia's intentions to monopolise energy transits from Asia to Europe. It is very likely, therefore, that the West will begin lobbying for alternative gas and oil pipelines (foremost the Nabucco pipeline) more actively.⁷¹

1.3 Georgia

The events of August 2008 changed the political situation in Georgia dramatically. There are no Georgian-Abkhaz and Georgian-Ossetian conflicts any longer, as they effectively mutated into a wider Georgian-Russian confrontation. The problem of Georgia's territorial integrity has become the question of national sovereignty as the Georgian government controls less territory today than it did before the escalation of conflict. Georgia's image as an "efficient state" was shattered and the country may plunge into new internal political turmoil. Georgia's future depends on international security guarantees and support as never before.

1.3.1 Implications of the war for the breakaway regions

After the August 2008 crisis it has become clear that a direct dialogue between the conflicting parties (Georgia-Abkhazia and Georgia-South Ossetia) is highly unlikely. It is especially relevant to South Ossetia, as its rulers are closely connected with Russian military circles, while unification with North Ossetia seems

⁶⁸ "British Conservative Leader in Tbilisi", *Civil Georgia*, August 16, 2008, <http://civil.ge/eng/article.php?id=19175&search=Cameron> (accessed 13 September, 2008).

⁶⁹ "Lost in the Caucasus", *The Economist*, August 21, 2008, http://www.economist.com/world/britain/displaystory.cfm?story_id=11965231 (accessed 13 September, 2008).

⁷⁰ "British Foreign Secretary Visits Georgia", *Civil Georgia*, August 19, 2008, <http://civil.ge/eng/article.php?id=19217&search=Miliband%20visit%20Georgia> (accessed 13 September, 2008).

⁷¹ "Nabucco pipeline 'on track' despite Georgia-Russia conflict", *EUbusiness*, September 5, 2008, <http://www.eubusiness.com/news-eu/1220572922.8/> (accessed September 10, 2008)

a more attractive option for local residents than does independence. So the de facto annexation of South Ossetia may soon become de jure and the region will be simply incorporated into the Russian Federation.⁷² At the same time, it is a paradox that South Ossetia has become independent while North Ossetia remains part of Russia. It will be interesting to see how Moscow will sort out this problem.

As for Abkhazia, part of its ruling elite is strongly in favour of independence and opposes Russia's full hegemony in the region,⁷³ giving the Georgian government some room for manoeuvre. But unless the international community is strongly involved in Abkhazia, Moscow will easily get rid of the pro-independence Abkhaz elite. It is important to remember in this regard that ethnic Abkhaz do not form a majority in Abkhazia.⁷⁴

The August 2008 events also vindicated the view that there had been no reason to believe that the parties to the conflict would establish direct contacts. After 2004, Saakashvili's government opted for a moderate policy on Abkhazia and actually gave implicit support to Sergey Bagapsh's candidacy in the presidential elections and his eventual presidency. In contrast, Moscow engaged actively in Abkhazia's internal political processes and used all means at its disposal, including economic and other sanctions, to promote the pro-Russian candidate, Hajimba. As a result, a Bagapsh-Hajimba duo came to power in Sukhumi.⁷⁵

Saakashvili's government also attempted to encourage defections from the separatist authorities of South Ossetia by creating the so-called "Sanakoyev Group", which included the former prime minister of South Ossetia, Dimitry Sanakoyev, and the former interior minister of the breakaway province, Jemal Karkusov. The Sanakoyev Group was supposed to win the hearts and minds of the local Ossetian population. But Moscow used heavy-handed methods to remove all pro-Georgian officials from the Tskhinvali administration (Oleg Alborov, former secretary of the security council, became the target of a bomb attack; Jemal Karkusov and Alan Parastayev, former secretary of the security council, were arrested.) Finally, just days before the August war, Abkhaz leaders – apparently under instructions from Moscow – spoiled the German foreign minister's new initiative, which sought to internationalise the conflict resolution process. Germany's foreign minister Frank-Walter Steinmeier visited Sukhumi in July and proposed to convene an international conference on the conflict in Abkhazia in mid September.⁷⁶

Against the background of these developments, President Saakashvili, emboldened by his relatively easy success in solving the problem of Adjara, launched the so-called "humanitarian attack" on Tskhinvali in summer 2004. But this effort failed and triggered the renewal of hostilities.⁷⁷ The Georgian

⁷² At first de facto president of South Ossetia Eduard Kokoity and the speaker of parliament Znaur Gasiyev called for unification with North Ossetia. Later, however, Kokoity vowed that Tskhinvali would never give up its independence. Civil Georgia: Kokoity Reverses Remarks on S.Ossetia Joining Russia, <http://www.civil.ge/eng/article.php?id=19467&search=South%20Ossetia> (accessed September 12, 2008).

⁷³ The Abkhaz leadership are in no mood to relinquish the region's independence. They admit, however, that Abkhazia may join the union of Russia and Belarus. "Abkhazia Does Not Have Any Plans of Associated Relationship with Russia, but Will Request Admission to the Union State – Bagapsh", <http://www.abkhaziagov.org/ru/president/press/news/detail.php?ID=13131> (accessed September 12, 2008)

⁷⁴ There are different data on the demographic and ethnic structure of Abkhazia. According to Abkhaz sources, in 2003 the total population of Abkhazia – 215,000 residents – included three large ethnic groups: Abkhaz – 43.8%, Georgians – 21.3%, and Armenians – 20.8%. <http://www.ethno-kavkaz.narod.ru/rnabkhazia.html> (accessed 12.September, 2009). Georgian sources estimate Abkhazia's population at 145,000 residents, only 37% of which are said to be ethnic Abkhaz. <http://www.abkhazia.gov.ge/geo/population.php> (accessed 12.September, 2009).

⁷⁵ In the 2004 presidential elections in Abkhazia Moscow openly supported Stanislav Hajimba, former KGB officer. Sergey Bagapsh owed his election victory partly to the support of the Georgian voters of the Gali district Angered by the defeat of its favourite candidate, Moscow imposed economic sanctions on Abkhazia. Finally, with Russian mediation, a dual power regime was established in Abkhazia with Bagapsh and Hajimba holding the offices of president and vice-president respectively.

⁷⁶ Civil Georgia: Abkhaz leader says German plan unacceptable, 18 July, 2008. <http://www.civil.ge/eng/article.php?id=18812&search=Steinmaier%20in%20Gali> (accessed 12.September, 2009).

⁷⁷ After the Rose Resolution a Tbilisi-backed popular uprising started in the Adjarian autonomous republic in May 2004 and the autocratic and pro-Russian leader of Adjara, Aslan Abashidze, was forced to flee to Moscow. Encouraged by the success, the Georgian government began a large-scale distribution of humanitarian aid in the Tskhinvali region. But the separatist government opposed this initiative and the conflict escalated into military confrontation.

government's new robust approach was unable to change the status quo in the region. But it alarmed Russia (see above) and led to the more active involvement of Moscow in the conflict zones. In addition, it re-ignited simmering anti-Georgian sentiments amongst the local population. The Georgian government's conflict resolution measures always went hand in hand with a war rhetoric. On the one hand, it is clear that the authorities used this rhetoric as a tool to "melt" the "frozen" conflicts and provoke a reaction from the international community. This approach failed, but it raised expectations of Georgian citizens to unrealistic levels, as they came to believe that the conflicts could be solved easily. Besides, this rhetoric did not sit easily with the president's peace initiatives for both Abkhazia and South Ossetia. The latest peace plan for Abkhazia was proposed by the Georgian government in March 2008.⁷⁸

As a result of the August 2008 war, the number of IDPs in Georgia has increased by tens of thousands. Large territories were deserted by the Georgian population. In all likelihood, they will be populated by Russian nationals in the future and the myth about the independence of Abkhazia and South Ossetia will finally come to an end. It is noteworthy that the native populations of both regions, ethnic Abkhaz and Ossetians alike, are now facing a rather bleak future. With Russia strongly objecting to the presence of international missions in both Abkhazia and South Ossetia, chances are high that the Abkhaz and Ossetian people will eventually be assimilated.

1.3.2 Influence of the war on Georgia's domestic politics

Hardest hit by the August 2008 crisis was what Saakashvili's government boasted of as its greatest achievement – efficient governance and public confidence in state institutions. In November 2003 the new Georgian government had launched a social modernisation project. Its main objective was to build a liberal state and liberal society in Georgia. One of the main elements of the project was the replacement of traditional state institutions by more efficient ones. A robust security system (army and police) capable of maintaining law and order across the entire country was seen as the main indicator of efficient government.

In 2004-2008, the Georgian population grew convinced that the country was already able to solve its main problems: the central government reasserted its authority in Adjara in 2004 and in Kodori Gorge (Upper Abkhazia) in 2006, and strengthened its rule in ethnic enclaves. The government's rhetoric was promoting the idea that Georgia was strong enough to rise to any challenge and even to repel such a powerful neighbour as Russia.⁷⁹ Since the August events, however, the Georgian government is controlling a smaller part of Georgia than it did before the conflict, while tens of thousands of Georgian residents were forced to flee their homes. For this reason people may again become nihilistic about the Georgian state. It must be noted, at the same time, that on the territories not controlled by Russia, state institutions – police, fire and ambulance services, communications, transport, etc – operated without a hitch even in the most critical days.

Political opponents of the Georgian government are also responsible for the heightened expectations of Georgian citizens regarding conflict resolution. They urged the government to raise the stakes and sometimes proposed even more radical solutions than the government did.⁸⁰ Had the Georgian government taken another, more moderate approach to conflict settlement, the political power struggle would have intensified in the country. Radicalism and the desire to topple the government and seize power as quickly as possible remain major distinctive features of the Georgian opposition. But the government must take its share of the blame, since it failed to

⁷⁸ Civil Georgia: Saakashvili outlines Tbilisi's Abkhaz Initiatives, 28. March, 2008, <http://www.civil.ge/eng/article.php?id=17473> (accessed 13. September, 2008).

⁷⁹ "It's not Shevardnadze's Georgia any more" – Saakashvili used to say, meaning that Georgia was not a failed state.

⁸⁰ After joining the opposition ranks former defence minister Irakli Okruashvili accused the president Saakashvili of the lack of courage to authorise measures to retake South Ossetia. Civil Georgia: Okruashvili Breaks Silence by Lashing Out at Saakashvili, 25 September, 2007, <http://www.civil.ge/eng/article.php?id=15861&search=Okruashvili%20breaks> (accessed 13. September, 2008).

ensure inclusive political processes in the country, excusing itself by claiming a need for rapid reforms. The events of October-November 2007 created good preconditions for cooperation between the government and the opposition. Mikheil Saakashvili's slim victory in the presidential elections was also conducive to a more cooperative political process. Unfortunately, a zero-sum political process recurred in Georgia during the parliamentary elections. The government called upon the opposition forces to unite around national interests but did not give them a voice in defining these interests.

Although a majority of the opposition parties backed the government during the war, radical opposition leaders were conspicuous by their absence at the president's wartime meetings with the country's politicians. Some political parties agreed on September 5 to sign a political charter which provided for measures to ensure a constitutional political process and the creation of an anti-crisis group.⁸¹ But part of the radical opposition refused to endorse the document, claiming that it was designed to strengthen the government's authority. Besides, they did not believe that the anti-crisis group would have any influence on the decision-making process. The future activities of this group and its format will test the ability and readiness of the country's political forces for cooperation.

In the short term, a broad political consensus on the rules of the game will be a significant factor both for Russia, lest it tries to destabilise Georgia again, and for western governments, which will use this factor to decide how actively to foster democracy in Georgia and facilitate the European integration of the country.

1.3.3 Influence of the war on Georgia's foreign policy

After the August 2008 events, the western world found itself in a strange predicament. On the one hand, the West has pledged to take active part in the conflict resolution process; on the other hand, opportunities for western involvement are limited, since both conflict zones remain under full Russian control and, given the current rhetoric, Moscow will hardly agree to an international peacekeeping operation in Abkhazia and South Ossetia.⁸² So the prospects for the internationalisation of the conflict settlement process seem as dim as ever.

The impact of the August 2008 crisis on the European and Euro-Atlantic integration prospects is not immediately clear. On the one hand, it is obvious that the Russian aggression turned the Georgian problem into an international security issue. Russia's repeated statements that it will block Georgia's (and Ukraine's) entry into NATO, whatever it costs,⁸³ might motivate NATO member-states to stand up to Moscow's blackmail and support the integration process. Besides, against the backdrop of political decisions, some questions need to be answered – How should the expansion go ahead before the conflicts are settled? What measures are necessary to ensure a strong western presence in the conflict zones?

The rapid deployment of EU observers in the buffer zones around Abkhazia and South Ossetia is quite a realistic short-term goal that the West can achieve in Georgia. It is feasible as long as Russia is unlikely to pull out its troops from Abkhazia and South Ossetia in the near future. In addition, it is a vital precondition for getting the political and economic process in Georgia back to normal, rebuilding its war-damaged infrastructure, and facilitating the country's European integration.

⁸¹ Civil Georgia: Charter of Politicians of Georgia, 5 September, 2008, <http://www.civil.ge/eng/article.php?id=19410&search=Anticrisis%20Charter> (accessed 13. September, 2008).

⁸² Diplomat: Russia stalling over Georgia observers, 12 September, 2008, <http://edition.cnn.com/2008/WORLD/europe/09/12/russia.georgia.monitors.ap/index.html> (accessed 13. September, 2008).

⁸³ Dimitry Medvedev stressed that Russia would have attacked Georgia even if the county had been given MAP by that time. Civil Georgia: Medvedev warns NATO over Georgia Membership, 12. September, 2008 (accessed 13 September, 2008).

1.4 Recommendations

(1) Recommendations to the Georgian government

Recommendations with regard to the conflicts

- There is no alternative to the peaceful resolution of the current conflicts. Rapid reconstruction and development, aiming to demonstrate the benefits of life in Georgia to the populations of the breakaway republics, is the government's main task.
- The likelihood of direct contacts with Abkhazia and South Ossetia is low, though Russia's assimilation policy may increase the chances of establishing direct relations with Abkhazia.

Recommendations with regard to domestic policy

- Invite all political and public groups to freely and openly discuss the conflict resolution problems and other strategic issues of the country. From this viewpoint, Mikheil Saakashvili's approval of parliamentary debates on the August events is surely a positive development.
- Reform political institutions, launch state assistance programs for political parties, and improve the election system. From this viewpoint, the government's promise to start a new wave of democratisation must surely be welcomed.
- Ensure an inclusive political process. The anti-crisis council must be authorised to make important decisions.
- Facilitate the development of public institutions, primarily of the media.

(2) Recommendations to the Georgian opposition

- Assume responsibility for constitutional stability.
- Engage in the development and implementation of a dialogue format.

(3) Recommendations to the Georgian NGO sector

- Engage in the development of a dialogue format and assume the role of a public debate forum.
- Generate and disseminate new ideas and become a reliable partner for the political elite.
- Facilitate the development of public institutions, especially of the media.

(4) Recommendations to international organisations

Recommendations with regard to former Soviet republics

- Unequivocally support Ukraine's democratic government and openly specify what measures will be taken against Russia in case of Russian aggression against Kiev.
- Begin a pragmatic policy towards the leadership of the Soviet successor states in order to prevent their dependence on Moscow from increasing.
- Develop and publicise an EU action plan on energy security and define the region's place in the plan.

Recommendations with regard to the conflicts

- Prevent the validation of Russia's unilateral recognition of two breakaway regions.
- Do not ease pressure on Russia to make it provide free access to the conflict zones for western organisations.
- Protect local communities from the danger of assimilation by Russia.
- Take real steps to ensure step-by-step return of IDPs to the conflict zones.
- Prevent property of IDPs from being illegally privatised.

Recommendations with regard to Georgian domestic politics

- Promote political dialogue and urge the political elite to accept the cooperative model of relating to opponents.
- Press for transparency in the government and adopt approaches with greater conditionality.
- Help the political opposition and NGOs to improve their skills and capacities.

2. Economic analysis

Georgia's economic profile will change seriously in the wake of the August war. The war formed a dramatic watershed for many sectors and branches of the economy.

Nothing is new today in Georgian-Russian economic relations. The current bilateral process started seven years ago, when visa requirements were introduced in gross violation by Russia of the agreement on unhindered movement of the citizens of the CIS countries, the only real benefit which that loose alliance had for years. The pattern was reinforced stage by stage with the embargo on Georgian citrus fruit, then on other agricultural produce, and later on wine, mineral water and Georgian juices. In other words, restrictions on the free movement of individuals were followed by bans on the free movement of goods, both of which were enforced successfully. Since late 2006, Russia has maintained an all-out economic embargo, which is manifested in the artificial and forced severance of all types of relations. The entirely deliberate fuss about the visas – their suspension then re-imposition, now tighter and now dragged-out issuance – clearly testifies to this.

From early 2008, some softening of the visa requirements was noticeable, with comparatively orderly visa issuance, and resumption of communication services (air and sea travel, postal communication, possible reopening of the Larsi customs office). However, with the beginning of combat operations, all this progress was dashed and became history.

The Georgian economy has more or less passed the survival test of the war, but it has also sustained heavy damage. Direct losses apart – first and foremost among these, losses in human lives, which are irrecoverable – huge funds will have to be spent to restore the ruined infrastructure. The occupying forces still continue to destroy infrastructure and will probably keep doing so while Russian troops remain in different areas of Georgian territory. Not only the military, but mostly the civilian and economic infrastructure – roads, communications, industrial and manufacturing facilities – were attacked by Russian tanks and fighter jets numerous times. In addition, as was expected, the Georgian economy came under threat of not only direct military aggression, but also the immediate or long-term consequences of the Russian aggression as soon as the combat operations began.

2.1 International credit ratings

Both leading international rating agencies, Fitch Ratings and Standard & Poor's, reduced Georgia's sovereign credit ratings when the war started. Fitch decreased Georgia's long term ratings for national and foreign currency from BB- to B+⁸⁴ and changed the rating change outlook from "stable" to "negative." Standard & Poor's also downgraded Georgia's long-term rating from B+ to B.⁸⁵

It is noteworthy this was the second noticeable downgrade this year: In May, Standard & Poor's had already reduced its outlook from "positive" to "stable." Already at that time, the following reason was cited: "The

⁸⁴ "Georgia violence hurts Russian, emerging markets", Reuters, Friday, Aug 8, 2008. The Fitch Ratings company rates issuers by the grades of reliability which are designated in letters: The AAA rating is given to the most reliable companies and countries, and D rating to those whose probability of solvency is below 50%. The reduction of Georgia's credit from BB- to B+ means that the country has considerable credit risks. Financial obligations are honored, although solvency depends on the economic situation that has taken shape (see more detailed information at www.fitchratings.com).

⁸⁵ "Georgia violence hurts Russian, emerging markets", Reuters, Friday, Aug 8, 2008. Standard & Poor's rates issuers by the grades of reliability which are designated in letters: The AAA category is given to the most reliable companies or countries, D- to those who have experienced defaults. The downgrade of Georgia's rating from B+ to B means that the country is considered solvent, but disadvantageous economic circumstances are likely to adversely affect its situation and ability to pay off debts (see more detailed information at www.standardandpoors.com).

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outlook was reviewed because of irreversibility of deteriorating relations with Russia because of the growing militarization of the separatist regions.” The company’s analysts also noted that the “decision by the Russian authorities to increase their military presence in South Ossetia will cause escalation of the regional conflicts and hinder Georgia’s accession to NATO. This is highly likely to affect Georgia’s tax and budget indicators this year because the flow of funds to the growing Georgian economy is likely to decrease.” After the beginning of combat operations, the following was cited as the reason for the rating company’s “negative” outlook: “The fall of direct investments that will follow the escalation of tensions with the separatist regions might result in a more significant slowdown of the economic growth than we expected.”

The European Bank for Reconstruction and Development (EBRD) also predicted slowing economic growth in Georgia if combat operations continued.⁸⁶ The US-based Global Insight think tank,⁸⁷ which consults Western companies on the risks of doing business in Georgia, increased Georgia’s indicator in its security rating from 3.75 to 4 (5 being the maximum), and the risks of doing business from 3 to 3.5. In other words, after these changes doing business in Georgia is considered extremely risky. It is clear that the Russian aggression aimed not only to annex territory, undermine the country’s military potential and change the government, but also to weaken Georgia economically.

2.2 Budget revenue

For obvious reasons, uncertainty could not be avoided in the budgetary process. There were no problems in this respect during the war and a few days afterwards. For example, the national budget revenue on just the day of 13 August was 18 million GEL, whereas the average daily figure is 15-16 million GEL. But during the period that followed, the fall of budget revenues became marked, which the Georgian Government attributed to the restrictions on movement of cargo on the country’s territory. More specifically, in the working week of 18-22 August, the average daily budget revenue was 10.1 million GEL, which was 38% less than in the working week of 11-15 August and 29% less than the average revenue during the January-July period.⁸⁸

Accurate assessment of the damage is almost impossible at this stage because the central authorities’ jurisdiction over the areas which were under their control before 7 August has not been restored. Accordingly, there are only indirect reports and approximate figures available on the damage to the areas that are not under the government’s control. As for the already identified damage, it can be said with certainty that effectively all sectors of the Georgian economy have sustained serious damage both during the combat operations and after them.

2.3 Sectoral analyses

2.3.1 Banking

The banking sector has been the fastest-growing sector of the country’s economy, and economic growth and the proper functioning of the other sectors hinge on the banking sector’s success. When Fitch Ratings revised Georgia’s credit ratings, the ratings of the country’s leading commercial banks (Bank of Georgia, TBC Bank, Procreditbank, VTB Bank Georgia) also decreased automatically by one grade. In other words, their reliability is likely to diminish and borrowing from international markets will become more expensive for them with resulting hikes in credit interest rates for their customers.

After its post-war return to normal operations, the banking sector continues to offer its services with some clear changes. Almost all services, with rare exceptions, have become more difficult for the customers. Even in late September, not all restrictions have been lifted, and clients continue to encounter hindrances in their relations with banks. The service of consumer loans, which accounted for a consid-

⁸⁶ “EBRD sees Georgia economic fallout from war”, Reuters, Monday, August 11, 2008.

⁸⁷ “Conflict Escalates Dangerously as Russia Advances into Central Georgia”, Global Insight, Monday, August 11, 2008.

⁸⁸ “The Georgian economy: Take Care of Business”, Press Release, Government of Georgia, Friday, August 22, 2008.

erable share of the banks' portfolios, was resumed with restrictions. This resulted in weaker sales in the retail business. Compared to the prewar period, the number of customers at some of the retail networks has halved. Experts say that at least 2-3 months will be required to reach pre-August sales levels.

The situation with mortgage loans is even worse. The market has effectively been paralyzed. Before, apartments in newly built buildings were predominantly purchased using precisely this service; now mortgage loans are completely inaccessible. In addition, the Financial Oversight Agency issued recommendations to commercial banks to take into account the current situation and tighten controls over loan issuance. This forces the banks to refrain from issuing credits, which significantly reduces the amount of money in circulation.

The losses which the banks have already sustained are also obvious. During the combat operations, customers withdrew 265 million USD in deposits from the two leading banks which controlled up to 60% of the sector (165 million USD from the Bank of Georgia, or 10% of the entire deposit account assets, and 100 million USD from TBC Bank). In total, 300 million USD in deposits were withdrawn from the banking sector, which very much reduced the amount of money available to the banks.⁸⁹ Footballer Kakhi Kaladze's Progressbank postponed its launch, which was scheduled for September. Latvia's Parexbank also postponed its entry into the Georgian market.⁹⁰

The GEL/USD exchange rate has not changed in this period, fluctuating around the 1:1.41 mark. Major changes are not expected in the future, but if they take place, the National Bank has sufficient resources to maintain stability of the currency market, although stability is quite expensive: From 8 to 31 August, Georgia's currency reserves shrunk by about 25% from 1.47 billion USD to 1.12 billion USD.⁹¹

2.3.2 Construction

The war was a heavy blow to those sectors of the economy whose share in the country's economic growth was substantial. For example, the leading residential development companies did not sell a single apartment in Tbilisi during the war. This was yet another problem for the construction sector, which was already in crisis. There are confirmed reports that one of the two construction sector leaders, Axis, was able to sell only 1 apartment in August, and Iberia did not sell any; buyers cancelled the remaining contracts. The same Axis bore 2 million USD in damages because of the Russian military aggression. The company lost 1.5 million USD in Tbilisi when development projects were suspended on account of the military intervention. In addition, the company owned office space worth 700,000 GEL in the Georgian-Ossetian conflict zone, which the Russian invaders leveled with tanks.⁹²

Because the channels of import were closed, there are problems with construction material supplies in the country; because of this, 75% of construction projects are suspended in the country by September 2008. And the "freezing" of the construction projects created huge problems for both construction companies that cannot honor their obligations (to their clients, shareholders and commercial banks) and to countless other associated companies from different sectors (banks, haulers, service companies and so on). The construction sector problems could have a domino effect on the wider economy.

2.3.3 Industry

Facilities whose proper functioning was pivotal to the Georgian economy in general were bombed more than once during the Russian invasion. Russian bombs dropped on the Tbilisi Aviation Association, which had accounted for about 10% of entire Georgian exports in previous years.⁹³

⁸⁹ "\$300 million withdrawn from the commercial banks," *Akhali Komersanti*, 8-15 September.

⁹⁰ *Georgian Banking Review*, August 2008.

⁹¹ *Georgian Banking Review*, August 2008.

⁹² "Axis categorically denies real estate crisis," *Radio Komersanti*, 9 September.

⁹³ "Georgian foreign trade by groups of products", Department of Statistics, 2006, 2007.

2. Economic analysis

The Kaspi cement factory, one of the most successful industrial facilities in German-based HeidelbergCement's ownership, which supplied its products both to domestic and foreign markets, was also bombed.

The Russian military and North Caucasian mercenaries are still mercilessly looting and destroying small and medium-sized businesses in Samegrelo and Shida Kartli, which formed the economic backbone of these regions. For example, the Lomisi brewery in Akhgori, which is owned by the Turkish giant Efes, has stopped production and been looted. It remains unclear whether these companies plan to go to court and demand compensation for damages and lost property.

In the beverages sector, it emerged that foreign investors had lost interest in the Georgian market, which will further aggravate the brewers' situation and drive beer prices higher than expected. Beer prices had already increased by 10-15 tetri (0.1-0.15 GEL) for a half-liter bottle over the summer. This trend might persist in the future.

Efes has already officially informed Kazbegi that talks will be postponed by at least six months. The future of the contract with Castel is also uncertain. The talks with the brewery were to be finalized in the fall. It seems that the idea of founding an amalgamated holding company has been thwarted, at least for now. The situation is no better at Lomisi, which brews two brands, Lomisi and Natakhtari. Efes bought the company in February and paid 70 million USD for it.⁹⁴ Assessment of the damage to the Turkish-owned brewery in Akhgori, which was looted during the Russian invasion, has not taken place yet. The company management cannot say at this stage how they will try to get compensated for the damages.

The expected longer-term damage to the industry merits separate discussion. According to preliminary reports, the fires in the Borjomi-Kharagauli National Park will affect the quality of Borjomi mineral water and other mineral waters and agrarian produce, which might eventually weaken their market positions.

2.3.4 Agriculture

The Russian invasion inflicted considerable damage on the agricultural sector, both during the war and in its aftermath. According to preliminary estimates, the grape harvest this year will yield 130,000 tons, which is 100,000 tons less than last year.⁹⁵ Not only bad weather conditions, but also the Russian invasion, which damaged a substantial share of vineyards in Kartli, account for this. In late September, Parliament passed amendments to the national budget to allocate 27.5 million GEL in subsidies for the grape harvest in Kakheti. Of this amount, 9 million will be made available to the Ministry of Agriculture, and 18.5 million GEL will be issued in low-interest rate loans.⁹⁶ The problem is that implementing budget changes will probably take a week or two, which means that these funds might not reach the addressees before the end of the harvest.

The Russian occupants hindered the launch of the apple harvest season in Georgia too. The season is to start in a few days' [mid September], but the key apple area near Gori is still under the Russian aggressors' control, and the Georgian side cannot even ascertain what harvest volumes are to be expected. Georgian apples are exported to Kazakhstan and Ukraine, and these countries are ready to buy produce this year, but while roads and railway lines remain blocked, apple exports will encounter problems. Together with foreign partners, the Georgian authorities planned to build a large cooled apple storage facility in Gori. Implementation of the project was postponed indefinitely because of the war.

⁹⁴ Turkey's Efes buys Georgia's top beer maker, Reuters, Friday, February 8, 2008.

⁹⁵ Statement by Agriculture and Food Minister Bakur Kvezereli, Georgian Government meeting, 8 September 2008.

⁹⁶ Civil Georgia: "MPs Discuss Budgetary Amendments", 26 September, 2008, <http://www.civil.ge/eng/article.php?id=19609> (accessed 27. September, 2008).

Losses of incurred by farmers because they could not send their produce to the capital city and other large towns when the roads were blocked are difficult to calculate.

2.3.5 Transport

The Georgian railroad suffered serious losses. The damage that was caused by the blowing up of the railroad bridge near Kaspi was twofold: On the one hand, there are direct repair expenses, and on the other hand, potential revenues from cargoes that could be delivered were not received. The economic damage has not been calculated yet, and financial losses reach 30 million GEL. In addition, the Georgian Railroads Company will have to compensate Azerbaijan for the price of the train of oil tanks which was destroyed near the village of Skra. Repairs to the Metekhi-Grakali section of the railroad cost 1 million USD.⁹⁷

As for cargo shipments, service has resumed both to Azerbaijan and to Armenia, including from the Georgian Black Sea ports. From 1st September, passenger services have been restored in all directions too. However, losses from their suspension were also considerable and will be calculated in the near future. Despite the current critical situation, the work on the Baku-Tbilisi-Kars trunk railroad project has also been resumed after its suspension during the combat operations.

The Georgian air carriers also suffered great losses because of the closure of airspace by the Russians. The Russian onslaught on the Georgian economy is continued by Russian government organizations too. The Russian Air Navigation Service urged air carriers not to use Georgian airspace because of its presumed dangers, and to resort to alternative routes. The international air routes that traverse Georgia are used by 100-200 airlines a day and transit flights continue as usual.

The motor trucking sector also suffered damages. The blocking of the country's main motorway and the cutting off of the traffic between the east and west of the country completely paralyzed haulers for several weeks. In addition to domestic trucking, the pattern of transit trucking also changed significantly because the international haulers either suspended operations or found routes alternative to Georgia.

Maritime and ferry transport was paralyzed altogether. Because of the blockade of the seaport of Poti, shipping was either suspended (ferry lines, for example), or operated with great difficulties. The same applies to the seaports of Batumi and Kulevi, whose operations were severely downsized because of the reduced transit of oil.

2.3.6 Tourism

The tourism sector was one of the first victims of the August events. Representatives of this sector are not optimistic about the future any more because it will be increasingly difficult to attract foreign tourists with promises of a peaceful, quiet and unpolluted environment.

Tourism was one of the leaders of the Georgian economy in terms of attracted investments. The Adjarian Tourism Department reported that some 34,000 tourists were in Adjara – a region which was not affected by war – before the launch of combat operations. The majority of tourists left Adjara as soon as the combat operations started.⁹⁸

Assessment of the damage from the disrupted holiday season is currently under way. The war affected the number of visiting tourists. As of 31 July, 136,975 tourists visited Adjara this year, which was 38% more than in the corresponding period of 2007. But as of 31 August, the number of visitors was 182,531, which was 28.6% less than in 2007.⁹⁹ Top officials for the Revenues Service's Adjarian

⁹⁷ News briefing by Georgian Railroads General Director Irakli Ezugbaia, 28 August 2008.

⁹⁸ Adjarian Tourism Department's monthly report, August 2008.

⁹⁹ Adjarian Tourism Department's monthly report, August 2008

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regional branch said that the losses to the budget from tourism will not exceed 6 million GEL.¹⁰⁰ However, losses of households are very high, especially given that the majority built or purchased tourist facilities (hotels, private houses, restaurants, cafes and so on) with bank loans because they counted on much larger numbers of tourists.

Tourists did not go to the seaside or the mountains even after the end of combat operations. Some are afraid to travel in the area, while others are deterred by the pollution of the sea with oil products and gorges that were damaged by fires.

The companies that organize tours to Georgia took a serious financial blow. Compared to last year, the number of foreign tourists increased dramatically in July. The majority of their customers wanted to visit Georgia in the second half of August. Among them were residents of Israel, Ukraine and the Baltic states. Many of them had already paid for their holidays and had to be refunded.

The fall is usually the season of wine tours to Kakheti. Despite the stabilization of the situation and the fact that Kakheti was effectively unscathed by war, foreigners still refrain from visiting Georgia. At present, hotels and tourist companies report virtually non-existent foreign tourism to Georgia.

2.3.7 Infrastructure

The main economic gateway of the country, the seaport of Poti (which is now owned by the UAE-based Rakeen Investment), was bombed many times and still has not resumed its operations in full and requires major investments for rehabilitation work. Due to decreased or hindered cargo turnover, the seaport of Poti has suffered serious losses. (Its military sections sustained substantial damage.) The decrease in cargo transit caused the seaport 2 million USD in losses during the very first few days of the war.¹⁰¹

The seaport of Poti has calculated damages from bombing. Only part of the seaport's infrastructure is operational today because some of the components of its infrastructure were damaged. Bombing damaged 279,000 USD in equipment and property. Shareholders of the seaport suffered 100,000 USD in losses. The seaport of Poti plans to sue Russia at an international court, with a detailed breakdown of damages.

The Turkish-Georgian oil company Channel Energy's lost 1.1 million USD due to a cluster bomb that damaged its oil tanks in Poti port.

The road infrastructure was also greatly damaged. Intense traffic of Russian combat vehicles on the roads damaged the tarmac – on many sections, it had been repaired shortly before the war – and put the issue of repaving the roads on the agenda.

2.3.8 Energy

The Czech company Energo Pro, owner of the regional electricity distribution networks, voiced its protests against the Russians' unconstrained behavior. The occupiers, who are scattered over the west of Georgia, have already arranged comfortable living standards for themselves and are stealing electricity. Energo Pro has already cut off illegal connections in Zugdidi, Tsalenjikha and Khobi several times, but the Russians continue to steal electricity and threaten Energo Pro staff with reprisals if they cut wires. As a result, the Russian invasion caused Energo Pro 6 million GEL in losses.¹⁰² This

¹⁰⁰ Official report by the Revenues Service Adjarian regional branch, September 2008.

¹⁰¹ Statement by Hater Masaat, chairman of the board of Rakeen Georgia, owner company of the seaport of Poti, Interpressnews agency, 10 September 2008.

¹⁰² Statement by Libor Olehla, head of Energo Pro Georgia's internal audit department, Interpressnews agency, 10 September 2008.

includes damage to the power relay lines and switching stations which Energo Pro currently cannot control in the Akhalgori District and in Georgian villages in the Tskhinvali region.

2.3.9 Trade

Cargo turnover and trade operations both decreased dramatically because of the blockade of the seaport of Poti and of motorways during the combat operations, damage to the railroad infrastructure and diminished air traffic, and temporary restrictions in the banking and other sectors. The trend toward diminishing budget revenues testifies to this. Many importers had problems with dispatching cargoes from the Georgian borders to Tbilisi and the east of Georgia during that period.

Many types of import cargoes could not enter the country at all. Even by mid September, most of these cargoes couldn't be imported into the country. First and foremost, this affected the import of cars, which were the second largest item of import. Neither official dealers nor individual importers can import them in sufficient numbers and in a timely fashion.

Exporters also encountered a variety of problems. The main maritime route of exports, which ran via the seaport of Poti, was paralyzed, and forwarding export products via alternative routes was very difficult because it would substantially increase both shipping time and costs. In addition, the risks were seen as high.

The problems in Georgia's banking sector (see above) will have a significant negative impact on the trade sector. The overall investment environment has worsened, and therefore it is likely that the inflow of capital will slow down till the end of the year. In addition, the growth rate of loans will slow down due to the higher risks. Loans issued by the commercial banks to the national economy increased by 2 billion USD (56.9%) compared to the corresponding period last year and exceeds 5.4 billion USD.¹⁰³ Of this money, the largest share of credits was issued to legal entities, 47% went to the trade sector. By comparison, in one year the amount of loans to the trade sector increased by 37.5% and reached 1.5 billion GEL.¹⁰⁴ Tighter lending requirements will certainly have a negative effect on these indicators.

2.4. Recommendations

The economic impact is not fully clear yet, especially as Russian troops still remain on Georgian territory and hinder the functioning of the country's economy as much as they can. This year, the forecast for economic growth fell from 9.3% to as low as 5-6%.¹⁰⁵ Last year the amount of foreign direct investment in Georgia was 2 billion USD; the government expects that figure to fall to 1.7 billion USD this year in the best-case scenario.¹⁰⁶ (Even 1.7 billion USD in foreign investments is unlikely.) This constitutes a very heavy blow to the Georgian economy.

According to preliminary estimates, the amount of damage to the Georgian economy is between one and two billion USD. According to Senator Richard Lugar's office's estimates, restoring the Georgian economy and getting it back to normal will require 3-4 billion USD. In addition, unless aid is provided on time, Georgian GDP growth stands to fall by 10% instead of growing by the same margin.¹⁰⁷

¹⁰³ The commercial banks issued more than \$5.4 billion of loans to the national economy, press release by the Georgian National Bank on 4 August 2008.

¹⁰⁴ The commercial banks issued more than \$5.4 billion of loans to the national economy, press release by the Georgian National Bank on 4 August 2008.

¹⁰⁵ Statement by Economic Development Minister Ekaterine Sharashidze at the Georgian Government meeting, 3 September 2008.

¹⁰⁶ Statement by Prime Minister Vladimer Gurgenzidze at the Georgian Government meeting, 3 September 2008.

¹⁰⁷ "Lugar Oversees Relief to Georgia", Press Release of Senator Lugar, August 25, 2008.

2. Economic analysis

It is a fact that the country's economy more or less survived the shock of war. What is important now is getting it back to normal with minimum losses. A whole range of emergency anti-crisis steps have to be taken. Not all the measures necessary fall comfortably in line with the principles of a pure market economy, but they still need to be taken in this extraordinary economic situation

General recommendations:

- Urgently establish coordination among all the groups involved in the calculation of damage, tally up their results, determine the real picture, and identify and diagnose the especially vulnerable areas that require immediate attention and take appropriate measures.
- Distribute the already mobilized and expected aid among the various sectors of the economy, avoiding both excessive dispersion of aid and its overlap. There is also a need to identify the areas and responsibilities that will receive aid from the country's central budget, and those that will be aided by donors.
- Restructure the tax and other budgetary liabilities which accumulated during the war in a manner that will not damage the national interests or augment risks of business bankruptcies.
- Encourage startup businesses by eliminating administrative barriers, shortening procedures and reducing the transaction costs.
- Introduce favorable conditions for foreign investors and those who create new jobs (tax holidays, extended grace periods, simplified procedures of starting a business and so on).

Sector-specific recommendations:

- Partial revision of banking regulations and simplification of access for the commercial banks to the National Bank's monetary reserves to address the problem of liquidity in the banking sector. At the same time, oversight in the banking sector should become more consistent and strict to avoid commercial banks slipping into a problematic phase.
- Terms of repayment and settlement of loans (both from commercial banks and "cheap loans") should be revised, especially in the conflict zone and adjacent areas, to avoid leaving businesses and individual borrowers moneyless on the one hand while preventing damage to the state-owned and commercial banks on the other.
- Avoid the collapse of the construction sector, local construction companies should be involved as much as possible in rehabilitation work; this will give them additional contracts.
- Make government procurements for rehabilitation work in the affected regions as transparent as possible. Bidders should be instructed to employ local businesses and labor, including IDPs, during the rehabilitation process.
- Support both agribusinesses and private farmers; allocate funds to ensure continued functioning of the economic cycle and to avoid the spread of poverty.
- There is a need to support the return of industrial sector products to their old markets, and their entry into new markets.
- There is a need for further modernization of the energy sector, promotion of alternative sources of energy and greater diversification of the energy sector. Russian energy resources may well become more expensive, or be cut off altogether; Georgia needs to prepare for this.
- There is a need to rebuild tourism. There is a need to develop tours that will attract foreign tourists, and to make the tours more diverse.

3. Environmental analysis

In addition to attacking and destroying military and civilian infrastructure, the Russian military aggression in August 2008 caused an ecological disaster in Georgia. According to Georgian official sources, as well as various international information sources, eyewitness reports and experts judgments, the Russian military attacks caused substantial damage to the natural ecosystems of the Caucasus and Black Sea regions.

The Caucasus is among the planet's 34 biodiversity hotspots, and one of the few hotspots that lie in an area with a non-tropical climate. There are many endemic and relict species of plants and animals. 20 to 30% of flowering plants, mammals, amphibians, reptiles, fish, and a high proportion of invertebrates living in the Caucasus are not found outside the region. The impact of the conflict on the environment cannot simply be captured by simple calculation of hectares of forest burnt, or of the level of pollution of rivers and the Black Sea.

Although being far from the conflict zones, three protected areas of Georgia are affected by military operations. These protected areas are:

- mountain forests of Borjomi-Kharagauli National Park (IUCN category 2)
- terrestrial and marine parts of Kolkheti National Park (IUCN category 2) on the Black Sea
- riparian forests of Liakhvi Nature Reserve (IUCN category 1)

Particularly high damage was observed in the forests of the Borjomi-Kharagauli National Park and adjacent areas.

The first section of this report contains a list of environmental damages caused by the Russian aggression, compiled on the basis of official information. The second section is dedicated to a comprehensive analysis of short and long term environmental damage. Hereby the impact on a regional, national and global level is summarized in the form of a matrix. The third section discusses the legal aspects of the Russian aggression, and of the environmental damages caused by this aggression. The fourth and last section provides recommendations for future action.

3.1 Timeline of environmental damages

3.1.1 Forest fires

According to information provided by the Ministry of Environment and Natural Resources and the Ministry of Internal Affairs of Georgia, hundreds of hectares of unique forest in various regions of Georgia have been purposefully destroyed by the Russian military forces during the second half of August.

Borjomi Gorge (Samtskhe-Javakheti Region): Fires were started in the forests of the Borjomi gorge at about 3:30 PM on August 15, 2008. According to eyewitness reports, the fires started in the Borjomi-Tsemi forests after Russian military helicopters dropped incendiary bombs. During the following days, including August 18, some new forest fire locations were recorded. According to eyewitnesses' reports, the start of these fires coincided with the appearance of Russian helicopters.

By September 7, when the fires were officially declared extinguished, the area of burned forests amounted to over 950 ha. Visual observation confirms that 250 ha of forest have been totally destroyed (150,000 m³ of wood). Over a further 700 ha area, 70% of trees have been destroyed

3. Environmental analysis

(150,000 m³ of wood). As a result of the fire, the vegetation cover has lost its ecological function and commercial value.

Ateni Gorge (Shida Kartli Region): On August 20, fires were recorded in the forests of the Ateni gorge. The main fire was located on August 24. About 50 ha of forests have burned down.

Other areas: According to eyewitness reports, on August 16 as a result of Russian aerial bombardments, fires started in forests in:

- the Kaspi area in Shida Kartli region (10:30 AM)
- village Surami in Khashuri district, Shida Kartli region (4:30 PM)
- Kharagauli in Imereti region
- Kojori in Kvemo Kartli region

On August 22, forests near the village of Khaishi in Mestia district (Upper Svaneti) started burning. According to the local population, the fire started at night as a result of flares shot by drunk Russian soldiers. Forests covering an area of 3 ha burnt down.

The Ministry of Environment and Natural Resources of Georgia called upon the embassies of China, Germany, Italy, France, the USA, Switzerland, Turkey, the Czech Republic, Latvia, Armenia, the Netherlands as well as the EC delegation in Georgia for help.

Official letters were sent to several international organizations: OSCE, UNDO, the World Bank, NATO, UN, Interpol, European Council, GTZ, KFW, OESD, UNOSAT, as well as to secretariats of conventions on biodiversity, climate change, desertification, protection of the Black Sea, and of the five UNECE conventions.

3.1.2 Oil spills in the Black Sea

The Russian army occupied the Poti coastal base on August 12. On August 13-14, the Russian occupational forces blasted and sank 12 vessels of the Department of Coastal Protection of Georgia and of the naval forces of the Ministry of Defence of Georgia. As a result, according to preliminary information, about 50 tons of fuel oil as well as engine and hydraulic oils have spilled into the sea.

Bombs and ammunitions which were stored within these vessels were also blown up, releasing an unknown mix of chemicals into the sea.

By mid September the major part the oil slicks were still within the area of Poti port. The rest has moved out to the open sea.

On August 22, the Ministry of Environment and Natural Resources of Georgia officially addressed the Secretariat of the Convention on Protection of the Black Sea, requesting the expulsion of the Russian Federation from the Convention.

3.1.3 Air and soil pollution from oil

On August 24 at 10:15 AM a train loaded with unrefined oil was blown up on the track between Gori and Khashuri (Shida Kartli region). The explosion of the train was caused by the blasting of the Skra military base of the Georgian Army by Russian military forces. The train was blown up by the fragment of a missile shot from a distance of 300m. The blast wave caused the explosion of 11 more wagons. In total 12 wagons with 60 tons of oil each exploded and burnt out. About 650 tons of oil was burned and some of the oil was spilled. 21 carriages were moved to a safe area.

4,000 m² have been polluted; half of this area is 100% polluted. Presumably most polluted is the 220 m long and 20 m wide area along the railroad. The Department for Emergency Situations is implementing site cleaning activities. Pits for collecting raw oil have been already dug and 70 tons of oil have been removed.

The accident site is located at a distance of about 2 km from the village Skra and about 1300 metres from the Mtkvari river. There are no underground water outlets, neither at the accident site nor in adjacent areas. The nearest water intake point is located 650 – 700 m away from the accident site.

3.2 Preliminary assessment and evaluation

3.2.1 Possible impacts on natural environment

3.2.1.1 Impact on biodiversity and protected areas

Within the Caucasus eco-region, Borjomi area is one amongst a few key areas of biodiversity. The Borjomi region is a part of the priority conservation area known as Trialeti (Trialeti Mountain Range), which was identified by more than 150 experts from all countries of the eco-region as summarized in the Ecoregional Conservation Plan (ECP)¹⁰⁸. The area is also identified as priority area for conservation by the Conservation International Caucasus Programme of the Critical Ecosystem Partnership Fund (CEPF). It covers part of two conservation areas, Borjomi-Kharagauli NP and Nedzvi sanctuary.¹⁰⁹

The Borjomi area is noted for a high diversity of plants, insects, amphibians, reptiles and small mammals, many of which are endemic species. The area is located on the biological crossroads of different bio-geographic regions (Colchic, Minor Asian, South Caucasian-Iranian, and Caucasian itself/ East Caucasian). The area holds populations of species that, according to recent genetic studies, are Tertiary relicts that have survived there for ten million or more years. Accordingly, this area represents the main backbone of the protected areas network in the Caucasus.

All these factors are even more important in the light of the fact that the Borjomi-Kharagauli NP is the very first National Park in the Caucasus, which was established in 1999-2002 according to international criteria. The protection regime in the core zone of the national park has existed for more than hundred years. The Trialeti Priority Conservation Area includes pristine forests, sub-alpine meadows and provides a habitat for many endemic, rare and relict species. Borjomi-Kharagauli NP is considered a model park for the Caucasus eco-region; two years ago, it became a member of the PAN parks network.¹¹⁰

Approximately 1,000 ha of coniferous and mixed forests have been burnt at the western slopes of the Trialeti Ridge (Borjomi Gorge, including parts of the Borjomi-Kharagauli Protected Areas). Over 50 ha of mixed forests have been burnt in the central part of Trialeti Range (river Tana valley) and in locations throughout the rest of Trialeti range and the Borjomi-Kharagauli National Park. Due to the forest fires, the biodiversity of this Priority Conservation Area has been seriously damaged. Adjacent settlements and tourist resorts may be affected by this. (see map 1).

The indirect influence should definitely include much larger territory, which calls for separate evaluation.

The Borjomi-Kharagauli protected areas (Strict Nature Reserve and National Park, and Nedzvi Sanctuary) have been affected by fires at Zoreti, Kvabiskhevi and Likani, as shown in map 2.

¹⁰⁸ An Ecoregional Conservation Plan for the Caucasus, WWF, KfW, BMZ, CEPF, MacArthur Foundation, Printed by Contour Ltd., Tbilisi, May 2006, 220 p.; see also at http://www.wwf.de/fileadmin/fm-wwf/pdf_neu/Kaukasus_OEkoregionaler_Naturschutzplan_May06.pdf

¹⁰⁹ See at http://www.cepf.net/ImageCache/cepf/content/pdfs/caucasus_5foutcomemap_2epdf/v1/caucasus_5foutcomemap.pdf

¹¹⁰ See <http://www.visitpanparks.org/ourparks/Borjomi-Kharagauli>

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Regarding forest diversity, the largest conifer forests (fir, spruce, pine with mixture of oriental beech and some other species) within the Lesser Caucasus are concentrated in this region (Priority Conservation Area). So are the world's largest stands of Oriental white spruce (*Picea orientalis* – Caucasian endemic). The area is also distinguished by the existence of pristine forest stands, which is very rare for a temperate zone and adds to the biological and conservation value of these forests.

The area which directly suffered from fire (Tsagveri-Daba sector) is identified as a High Conservation Value area since it is characterized by the following features:

1. biodiversity of global, regional or national importance (endemism, endangered species)
2. important drinking water protection and soil erosion control area
3. main life-supporting resource for the local population (e.g. fuel wood)
4. essential economic asset of the local population (tourism)¹¹¹

Furthermore, this area serves as a buffer zone for Nedzvi Sanctuary, which is part of the Borjomi-Kharagauli Protected Areas.

Smoke, high temperatures, flames as well as the noise generated by fire fighting disturbed the habitats and activities of the local fauna. They were stressed and may have migrated, with possible impact on the spatial distribution of animals, conceivably entailing a reduction of habitats and a decrease in reproduction.

According to preliminary data, the Russian aerial attacks have seriously damaged the Liakhvi reserve (IUCN Category 1) located within the conflict zone controlled by the Russian army. Georgian and international experts are not allowed to assess the situation on the spot.

3.2.1.2 Air pollution

According to preliminary information, a train loaded with 20 tanks of raw oil was blown up. As a result, 12 tanks of oil were burned.

Below a list of the pollutants released by the fire.¹¹²

Hazardous substance	specific coefficient of emission (t/t)	Total emission (t)
carbon oxide	8.4×10^{-2}	42.70
hydrogen sulphide	1.0×10^{-3}	0.510
nitric oxides	6.9×10^{-3}	3.505
sulphur oxides	1.0×10^{-3}	0.510
soot	1.7×10^{-1}	86.40
hydrogen oxide cyanide	1.0×10^{-3}	0.510
vanadium oxides	4.64×10^{-4}	0.235
benzpyrene	7.60×10^{-8}	0.00004

Total compensation for the damage caused by the emissions is estimated at 45,628 GEL in accordance with current legislation and relevant regulations.¹¹³

¹¹¹ Further to criteria of High Conservation Value see at <http://www.hcvnetwork.org/>

¹¹² Avtandil Budagashvili, Ambient air quality specialist, scientific-consulting company *Gama*.

¹¹³ Georgian Legal Bulletin ¹ 94 14.07.2006. Order ¹ 538 of the Minister of Environment Protection and Natural resources of Georgia on Approval of Calculation Methods of Environmental Damage of July 5, 2006

3.2.1.3 Water pollution

The occupational forces did not permit national environmental organizations to assess the situation on-site and determine the quantity of oil spilled into the sea. According to experts, some 50-70 tons of oil were spilled into the Black Sea. The spilling of such a large quantity of oil is unprecedented in Georgia's coastal zone.

The port authorities and other institutions were not allowed by the Russian military forces to employ skimmer and containment booms, which made it impossible to respond adequately to the spill and hindered damage limitation.

The spilled oil and oil products heavily polluted the coastal zone of the Black Sea and threatened the marine part of the Kolkheti National Park and its fish (e.g., sturgeon, grey mullet and herring). The oil spill will negatively affect sea fauna, including large mammals. Oils are lightweight liquids; they form a thin film on the water surface thus hampering the penetration of oxygen into the water. This causes the death of water plants as well as animals.

The Black Sea current moved the spilled oil to the north of the city of Poti, into the direction of the Kolkheti National Park and its protected sea zone. The Kolkheti National Park, located 5 km north from the oil spill site, is distinguished by its unique biodiversity and is a part of the internationally recognized Ramsar protected sites.

Oil spilled in these areas may cause a catastrophe and the death of many rare and threatened (included in the Red List of Georgia) plants and animals. Moreover, pollution of soil and water with oil will affect the internationally important peatlands of the Kolkheti lowland.

There is a hydraulic link between ground water and sea water in coastal zones. Specifically, ground waters discharge into the sea shelf zone. The discharge is more intensive during low tide. During high tides, there is less discharge, and the growth of salinity in wells located within the coastal zone is observed. Oil is characterized by high mobility; during high tides oils can easily penetrate into ground water circulating and pollute it. Pollution of the ground water used for drinking and other purposes by the population of settlements located near Poti coast by hydrocarbons is unavoidable.

3.2.1.4 Climate change

In 1990s, about 40% of the territory of Georgia was occupied by forests. Probably, these figures have decreased due to the energy crisis and the intensification of timber exports over the last 15 years; however, official statistics do not confirm this.

The environmental damage caused by forest fires includes the emission of greenhouse gases (CO₂, CH₄) into the atmosphere and the reduction of the CO₂ absorption capacity of Georgia's forests. Furthermore, as a result of forest destruction, the regime of underground water recovery will probably deteriorate. This will have a serious impact on the water resources of the Borjomi region.

The available data suggests that greenhouse gases equivalent to 407,000 tons of carbon dioxide have been emitted into the atmosphere as a result of forest fires in the Borjomi region. Considering the current average market price of EUR 15 for the reduction of one ton of carbon dioxide equivalent, the loss is estimated at EUR 6,105,000.

The burned forest was able to absorb 70,000 tons of carbon dioxide on average during 30 years. It means that its carbon market price will be EUR 1,050,000. If not taking into account the recreational, biodiversity, timber and fuelwood values of the forest, and considering it only from the climate change convention point of view, the damage will amount to at least EUR 7.2 million

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over 30 years. Furthermore, the cost of reforestation for 1 ha of forest in the area is about EUR 10,000, adding EUR 7,500,000 in damages. Thus, the total damage is not less than EUR 14,7 million.

3.2.1.5 Soil damage

The forest fires in the Borjomi gorge have completely destroyed the forests, undergrowth and topsoil. The fertile humus layer has been completely burned. Micro-biological processes required for maintaining soil functions have been stopped, and soil fertility has been destroyed. Plant regeneration will take a long time. Forest cover has a direct impact on hydrogeological and soil conditions, and on geodynamic processes. Areas poor in vegetation cover are prone landslides, especially in mountainous areas.

In such conditions, the balance between surface flows generated by precipitation and water infiltration into the sub-soil is disrupted in favour of surface flows. Increased volumes of surface waters lead to the development of line erosion, gullying and landslide processes which ultimately will result in floods, mudflows and avalanches, especially as all small rivers and ravines flowing on the north slope of the Trialeti range have mudflow characteristics. More than 40 landslide areas are recorded on the territory. The geological structure of the territory will further complicate the process of soil regeneration, especially as this process takes centuries even in optimal conditions. The regulation of underground waters has deteriorated, which might be result in the loss of fresh water vitally important to the population. Restoration of the destroyed forests to their initial state may take tens or hundreds of years.

3.2.2 Socio-economic impacts

Along with the environmental damage, the social and economic losses experienced by the population of the affected zone, as well as of the whole country, caused as a result of the destruction of the environment shall be taken into account.

3.2.2.1 Tourism

The key economic sustenance of the Borjomi region was tourism. The share of tourism in the budget receipts of Svaneti and Poti (the Kolkheti National Park) regions had also been gradually increasing.

Two types of impacts can be distinguished in damage caused to tourist potential:

- Direct impact on the tourist potential factors of biodiversity, balneal-climatic conditions, and aesthetic value. The major part of the tourist region of Georgia has fallen within the conflict zone (Svaneti, the Kolkheti National Park).
- Stigma of military operations and fear of military operations. The influence of this factor is much more significant and goes beyond the specific geographical boundaries of aggression and is apparent throughout the country.

The Borjomi Gorge: According to information provided by the Borjomi municipality, the preliminary assessment of damage caused by the Russian aggression is as follows:

- losses of the Borjomi municipality in the field of tourism: 9,060,600 GEL
- industry: 20,670,000 GEL

Forest fires in the Borjomi gorge directly affected Borjomi city and the neighbouring villages. 90% of the households of these settlements were mainly dependent on tourism. A study of the tourist potential of the region carried out by CENN in July 2008 showed that tourism was an important source of income of the local population. Along with large hotels and family hotels, renting of rooms to tourists was a common practice in this area. According to rough calcula-

tions, the annual income of a family from the tourism business was 2,500 – 3,000 GEL. At the same time, local investments in tourism were growing, thus contributing to tourist service development.

Rapid development of the tourism sector and growth in the number of visitors was contributing to development of a service infrastructure such as shops and transportation which were important sources of income for the local population (the creation of one job in a main sector implies creation of four additional jobs in the service sector). In this case, a comprehensive estimation of the damage is not an easy task and requires special study.

Svaneti: The main communications connecting Svaneti with the rest of the country have been controlled by the occupational forces, undermining tourism development.

The Kolkheti National Park: The territories adjacent to the Kolkheti National Park have fallen within the so-called buffer zone as well. Occupational forces were engaged in the construction of fortifications. Therefore, there were no tourist flows.

Presumably the number of tourists in the future decreased significantly. A certain stigma – the Borjomi gorge, Svaneti, the Kolkheti National Park and the whole Georgia being seen as a zone of military operations – will play a key role. This stable and long-term factor will cause a decreased number of tourists throughout the country.

In the short term (2-3 years), the fear caused by military operations will likely affect Georgian tourists as well, especially those visiting the Borjomi gorge. The conflict coincided with the height of the tourist season when the Borjomi gorge was hosting many families with little children. The main motor road connecting the western and eastern parts of Georgia was blocked by the occupational forces, fomenting fear. Many people were forced to use bypasses and village roads.

3.2.2.2 Fuel wood

The majority of the population living in the regions where the purposeful attacks of the Russian forces caused major damage to the forests used fuel wood for heating. The damage caused to the forests considerably reduced fuel wood reserves in the long term. This in turn will cause considerable growth of prices for fuel wood. Reduction of fuel wood reserves and growth of prices will have a negative impact on the economic state of the population, especially of those living in the Borjomi gorge.

3.2.2.3 Migration

Migration from the Borjomi gorge and Svaneti is expected to accelerate. In the case of Svaneti, this process may be aggravated by the current situation in which all communications with the region are being controlled by the occupational forces. Consequently, the contacts with other regions of the country will be complicated, which in turn will result in the socio-economic decline of the region and contribute to the growth of migration flows.

The situation is grave in the Borjomi gorge too, as tourism there has also been damaged considerably. The Borjomi gorge is not favourable for agricultural development. Tourism was the main source of income for the locals. The decline of tourism is compounded by increased prices on fuel and the decline of the tourism-related service sector. Presumably, the occurrence of natural disasters and the damage caused by them (erosion, landslides and mudflows) will increase forest destruction. All this will force the local population to leave the region and migrate in search of alternative sources of income.

Scheme: Scales of impacts**Summary of environmental and socio-economic impacts**

Key: ++ = Significant Issue + = Moderate Issue - = Insignificant or not applicable

Issue / Level	Biodiversity	Soil	Natural disasters	Air quality	Socio-economical	Black Sea	Climate Change
Local	++	++	++	+	++	++	++
Regional	++	+	+	-	++	+	+
Global	++	-	-	-	-	+	+

3.3 Legal analysis

By *employing methods or means of warfare which are intended, or may be expected, to cause widespread, long-term and severe damage to the natural environment*, the Russian Federation violated the international obligations it has undertaken. Russia is a party to the 1949 Geneva Conventions and the two 1977 Additional Protocols of these conventions. Paragraph 18 of the 1949 Geneva Conventions (ratified by Russia on 10-05-1954) stipulates the following:

All armed forces, whether regular or irregular, should continue to observe the principles and rules of international environmental and humanitarian law to which the parties to the conflict are bound in times of peace. Natural and cultural resources shall not be pillaged under any circumstances.

In Additional Protocol I (ratified by Russia on 29-09-1989), Article 35 – Basic Rules – states:

It is prohibited to employ methods or means of warfare which are intended, or may be expected, to cause widespread, long-term and severe damage to the natural environment.

Additional Protocol I, Article 55 – Protection of the Natural Environment – states:

- Care shall be taken in warfare to protect the natural environment against widespread, long-term and severe damage. This protection includes a prohibition of the use of methods or means of warfare which are intended or may be expected to cause such damage to the natural environment and thereby to prejudice the health or survival of the population.*
- Attacks against the natural environment by way of reprisals are prohibited*

With specific relevance to the Borjomi operation, Russia is also a party to the Convention on Certain Conventional Weapons, Protocol III, *Protocol on Prohibitions or Restrictions on the Use of Incendiary Weapons* (Geneva, 1980) which states (among other things):

It is prohibited to make forests or other kinds of plant cover the object of attack by incendiary weapons except when such natural elements are used to cover, conceal or camouflage combatants or other military objectives, or are themselves military objectives.

As well, the Statute of the International Criminal Court, established by the 1998 Rome Statute, which entered into force on July 1, 2002, stipulates in Article 8(2)(b)(iv) that the following act may constitute a war crime:

Intentionally launching an attack in the knowledge that such an attack will cause incidental loss of life or injury to civilians or damage to civilian objects or widespread, long-term and severe damage to the natural environment which would be clearly excessive in relation to the concrete and direct overall military advantage anticipated.

And although Russia is not an official party to it, the Rome Statute and International Criminal Court is presumed to represent customary international law and to be respected as binding by all states. Under Article 8, individuals, including heads of state, can be held criminally accountable if an attack is intentional; inflicts widespread, long-term and severe environmental damage; and the attacker knew the damage would be excessive. This applies to individuals that commit, order, or aid in the commission of such attacks.

Other rules of *customary international law* that prohibit damage to the environment in warfare and are binding on all states (Bronkhorst and Koppe, 2007), include:

Firstly, a duty of care or an obligation to show due regard for the environment during international armed conflict; secondly, a prohibition to cause wanton destruction to the environment during international armed conflict; and thirdly, a prohibition to cause excessive collateral damage to the environment during international armed conflict.

Even in self-defence, states are prohibited from engaging in military operations that are either unnecessary or disproportionate.

Thus, if the reports of the use of incendiary devices by the Russian military in the Borjomi region are accurate, then it is likely that Russia has violated the above provisions of international law. Such malicious behaviour – intentionally inflicting significant and unnecessary environmental harm as a weapon of war – has no place in modern warfare, and cannot stand uncontested by the international community.

The consequences for an international wrongful act as stipulated in the Draft Articles on the Responsibility of States for Internationally Wrongful Acts, adopted by the International Law Commission November 2001 (discussed in Bronkhorst and Koppe, 2007) include:

the obligation to offer assurances and guarantees of non-repetition, the obligation to make full reparation for the injury caused by the internationally wrongful act, either by means of restitution, i.e. to re-establish the situation which existed before the wrongful act was committed, or by means of compensation insofar as such damage is not made good by restitution.

The Ministry of Environmental Protection and Natural Resources, the Ministry of Foreign Affairs of Georgia, and national and international environmental organizations call upon the international community to resolutely condemn Russian actions on Georgian soil and re-examine the Russian Federation's relationship with international environmental treaties such as the Convention on Biological Diversity (CBD), the Convention on Protection of the Black Sea against Pollution, the Ramsar Convention, CITES and others.

3.4 Recommendations

Based on the abovementioned analysis, the following measures are recommended:

- Implementation of a comprehensive environmental and socio-economic damage evaluation and a study of rehabilitation measures.
- Implementation of activities for disaster risk reduction as well as rehabilitation of the environment according to the recommendations of the evaluation study.

3. *Environmental analysis*

- Elaboration of a nature disaster (especially, forest fire) response plan with detailed descriptions of responsibilities, and training of relevant institutions in natural disaster response.
- Local capacity building in rural areas for prevention and mitigation of natural disasters caused by unsustainable natural resources management.
- Elaboration of a strategic development plan for the fuel-energy complex of Georgia, taking into account new realities.
- Provision of the regions with alternative and renewable sources of energy; facilitation of knowledge generation and capacity building for achieving energy saving and efficiency. Implementation of pilot and demonstration projects to promote energy efficiency (winterization of public buildings, energy efficient stoves, etc.) and renewable energy sources
- Introduction of alternative livelihood and of effective and sustainable agriculture to prevent possible conflicts over demand on natural resources (land, water, fuel wood, etc.).
- Intensification of efforts for the rehabilitation and strengthening of the tourist image of the country and development of relevant infrastructure.
- Forests cut and destroyed after 1990 are not allowed for participation in CDM according to the requirements of the Kyoto Protocol. We recommend to the Georgian government to propose to the Framework Convention on Climate Change and the Kyoto Protocol to consider rehabilitation of forests burned and destroyed as a result of military operation within the CDM in order to attract additional investments.
- Preparation of reports for updating the Secretariats of the related international conventions and treaties. The Ministry of Environmental Protection and Natural Resources, Ministry of Foreign Affairs of Georgia, and national and international environmental organizations should call upon the international community to resolutely condemn Russian actions in Georgia and reconsider the relevance of the Russian Federation's participation in international environmental treaties such as the Convention on Biological Diversity (CBD), the Convention of Protection of the Black Sea against Pollution, Ramsar Convention, CITES and others. Consider compensation by the Russian Federation for the environmental damages caused by military aggression.

Timeline: From the Independence of Kosovo to the Russian-Georgian War February-August 2008

The following is the chronology* of Russian-Georgian relations from the independence of Kosovo until August 2008.

- February 14 Russian president Vladimir Putin censures Europe for its double standards in dealing with breakaway territories and warns that the unilateral recognition of Kosovo's independence will undermine the existing world order, and inevitably set a precedent for Abkhazia, South Ossetia, and Trans-Dniester.
- February 17 Kosovo unilaterally declares independence from Serbia. Within days, the former Serbian province is recognised as independent by the USA, UK, Germany, Italy and France. [To date, Kosovo's independence has been recognised by 47 sovereign states.]
- February 21 Vladimir Putin and Mikheil Saakashvili hold talks in Moscow on the sidelines of an informal CIS summit. The two presidents underline positive tendencies in Russian-Georgian relations.
- February 22 Russia calls upon Georgia to adopt special legislation to ban any foreign military presence on its territory.
- February 26 The separatist government of Abkhazia announces that a large-scale military exercise will take place in Abkhazia on March 1-5.
- February 27 The Georgian foreign ministry protests against polling for Russian presidential elections in Abkhazia and South Ossetia without Tbilisi's consent, and denounces the move as a breach of international law and a violation of Georgia's sovereignty.
- March 1 Georgia proposes to change the existing format of the South Ossetian settlement process, replacing the Joint Control Commission (JCC) with the new formula 2+2+2. The new commission would include Georgia and its South Ossetian provisional administration; Russia and the de facto government of South Ossetia; and the OSCE and EU.
- March 5 Yuri Levitin, the Russian transport minister, tells Russian lawmakers that Russia is planning to use Sukhumi airport during the preparation for the 2014 Winter Olympics.
- March 6 The Russian foreign ministry announces that Russia has decided to unilaterally withdraw from the 1996 CIS agreement on imposing economic sanctions against Abkhazia.
- March 11 The parliament of Georgia passes a special resolution to condemn Russia's unilateral decision to quit the 1996 CIS agreement.
- March 21 The Russian Duma passes a resolution urging the Kremlin to examine whether it would be appropriate and useful for Russia to recognise Abkhazia and South Ossetia as independent.

* Compiled from civil.ge

- March 28 President Saakashvili announces his new peace initiative for Abkhazia. Its main components are: a joint free economic zone; Abkhazia's guaranteed representation in the central government of Georgia, including the new constitutional post of vice president with veto power in all Abkhazia-related matters; and joint customs and border control. Sukhumi rejects the initiative as unacceptable.
- April 3 At a summit in Bucharest NATO rejects Georgia's and Ukraine's bid for a Membership Action Plan (MAP) but gives assurances that these countries will become members of the alliance in the future.
- April 12 Georgia offers to the de facto authorities of Abkhazia to set up joint police units to maintain law and order in the conflict zone. Sukhumi rejects the proposal.
- April 15 The UN Security Council passes a resolution on Abkhazia in which it supports Georgia's territorial integrity and praises the Russian peacekeeping troops for their significant role in providing stability and security in the conflict zone. Besides, the Security Council extends the mandate of the UN Observer Mission in Georgia (UNOMIG) by six months.
- April 16 Russian president Vladimir Putin orders his government to establish formal ties with the de-facto governments of Abkhazia and South Ossetia.
- April 29 The Russian defence ministry announces its plan to increase the number of Russian peacekeepers in Abkhazia and to set up 15 additional checkpoints at the administrative border of the province.
- April 20 A Russian MIG-29 fighter shoots down an unmanned Georgian drone over Abkhazia. Video evidence is made public.
- April 30 A NATO spokesman says that Russia's decision of April 16 would further worsen the already fragile situation in Abkhazia.
- May 1 Russia deploys additional peacekeeping units in Abkhazia. The USA calls upon Moscow to reconsider its policy in Abkhazia.
- May 2 The European Union expresses deep concern over growing Russian-Georgian tensions.
- May 5 The Georgian foreign ministry officially notifies Russia that Georgia has unilaterally withdrawn from the 1995 Russian-Georgian agreement on cooperation in air defence.
- May 7 Additional Russian forces set up two bases in the villages of Akamara and Arasadzikh (Ochamchira district), according to RIA Novosti.
- May 8 UNOMIG denies that forces are amassing at the administrative border of Abkhazia, admitting, however, that it requested the Russian military command to comment on the danger of ceasefire violations and explain whether the rise in troop numbers (personnel and equipment) is proportionate.
- May 16 The UN General Assembly passes a resolution on Abkhazia that recognises the right of IDPs and refugees, as well as their descendants, to return to their homes. Russia denounces the resolution as "counter-productive".

After August 2008: Consequences of the Russian-Georgian War

- May 21 Parliamentary elections are held in Georgia. Two buses are blasted by explosives in the village of Khurcha near the administrative border of Abkhazia. The buses have ferried ethnic Georgian residents from the Gali district of Abkhazia to the polling stations of Zugdidi.
- May 31 The Russian defence ministry says that it is sending engineering troops to Abkhazia to reconstruct railways and roads there.
- June 4 NATO urges Russia to pull out its engineering troops from Abkhazia.
- June 6 The Russian and Georgian presidents, Dimitry Medvedev and Mikheil Saakashvili, meet in St. Petersburg.
- June 19 The railway in Sukhumi is hit by two explosions.
- June 23 EU envoys in Georgia arrive in Tskhinvali for a fact-finding mission.
- June 25 Georgian officials say that Tbilisi is ready to resume the peace process provided Russia withdraws its additional forces from Abkhazia and cancels the April 16 resolution (that established formal ties).
- July 1 Russia establishes a sea link between Sochi and Gagra.
- July 3 Dimitry Sanakoyev's motorcade comes under attack. One member of his detail is killed.
- July 6 Mikheil Saakashvili and Dimitry Medvedev meet in Astana.
- July 8 Tbilisi proposes to set up a joint police force in Gali and Ochamchira. The USA calls for international police units to be deployed in Abkhazia. Sukhumi turns down the American proposal.
- July 9 Condoleezza Rice, US Secretary of State, visits Tbilisi to discuss prospects of the conflict resolution with the Georgian leadership. The same day, Russian military aircraft violate Georgian air space.
- July 10 The Russian foreign ministry acknowledges for the first time that Russian aircraft have flown over South Ossetia, in order to cool some "hot heads" in Tbilisi.
- July 11 In response to the Russian foreign ministry's statement, Tbilisi orders its ambassador in Moscow to return to Georgia. The Russian government announces preconditions for the peace process in Abkhazia: the Georgian government must sign a pact stipulating that it would never use force in Abkhazia and South Ossetia, and withdraw Georgian troops from the Kodori Gorge.
- July 17 Germany enters the conflict resolution process in Abkhazia. The German foreign minister Frank-Walter Steinmeier visits Sukhumi for talks with the de facto president of Abkhazia. Afterwards, he holds talks with his Russian counterpart in Moscow. Russia expresses scepticism about Germany's three-stage peace plan.
- July 19 Tskhinvali rejects the EU's proposal to hold direct talks in Brussels.
- July 25 Sukhumi rejects the German roadmap plan and refuses to attend talks in Berlin.

- August 1 Four Georgian police officers are wounded when their car explodes in South Ossetia.
- August 2 Seven Georgians are wounded by gunfire in South Ossetia. Russia denies that its peacekeeping troops are involved in the incident. North Ossetia promises to support South Ossetia if it comes under attack. South Ossetian authorities order full mobilisation and appeal to North Caucasus volunteers for help.
- August 3 Women and children, packed in fourteen buses and five vans, move from Tskhinvali to North Ossetia.
- August 4 The Abkhaz separatist authorities refuse to meet the Group of Friends of the UN Secretary General in protest against the escalation of tensions in South Ossetia.
- August 5 Estonia expresses support for the EU's peacekeeping role in Abkhazia and South Ossetia. Due to the danger of a new conflict, 819 residents of South Ossetia flee to North Ossetia.
- August 6 The Russian co-chairman of the JCC confirms that talks between the parties are scheduled for August 7 in Tskhinvali. The de facto authorities of South Ossetia and Russian peacekeepers report massive shootouts in South Ossetia. South Ossetia refuses to participate in the talks.
- August 7 According to the de facto authorities of South Ossetia, 18 South Ossetian residents have been wounded overnight as a result of shooting in the conflict zone. The Georgian interior ministry claims that late at night on August 6, Ossetian separatist forces shelled Georgian villages: Eredvi, Prisi, Avnevi, Dvani, and Nuli. Two Georgian peacekeepers were reportedly wounded. Russia sends reinforcements to South Ossetia via the Roki Tunnel. Evacuation of women and children begins in Georgian villages around Tskhinvali. In the evening, the Georgian government declares a unilateral ceasefire. The shelling of Georgian villages continues. Georgian positions near Tskhinvali also come under attack. The Georgian government announces that it has ordered the army to restore constitutional order in South Ossetia.
- August 8 Fighting rages on the outskirts of Tskhinvali. According to the Georgian, hundreds of additional troops pour into South Ossetia via the Roki Tunnel. Abkhazia amasses troops on the administrative border. Vladimir Putin, attending the opening ceremony of Beijing Olympics, warns Georgia. NATO, Council of Europe, and PACE call for an unconditional ceasefire. Washington urges the parties to restore the pre-August 6th status quo. Russian jets bomb Kareli, Gori, and airfields in Vaziani and Marneuli. Russian sources claim that hundreds of civilians died in Tskhinvali.
- August 9 Russian aircraft carry out several bombing raids against Gori, Poti, Senaki, and Kodori Gorge. Dozens of civilians are reported killed. Abkhaz forces begin military operation to expel Georgian troops from the Kodori Gorge. Georgia declares martial law and full mobilisation.
- August 10 Russian aircraft bomb Zugdidi, Senaki, Gori, and Kareli districts, Upper Abkhazia, and the outskirts of Tbilisi. Georgian forces retreat from Tskhinvali. Thousands of Georgian troops are airlifted back from Iraq. Tbilisi declares a unilateral ceasefire and orders troops to withdraw from South Ossetia. Thousands of Georgians from Tskhinvali and Gori districts and the town of Gori flee to Tbilisi. Many Georgian residents of Zugdidi leave their town. Some 6,000 Russian troops, 90 tanks, 150

armoured personnel carriers and 250 artillery systems enter South Ossetia through the Roki Tunnel. 4,000 Russian servicemen arrive in the Ochamchira seaport of Abkhazia from Sevastopol. Warships of the Russian Black Sea Fleet enter Abkhazia's territorial waters. Moscow accuses Georgia of genocide. OSCE emphasises that Russia is no longer a mediator but a party to the conflict.

- August 11 Russian air strikes continue throughout the night: Tbilisi Sea, Dedoplistqaro, Senaki, Ganmukhuri, and Khelvachauri are attacked. The foreign ministers of the presiding countries of OSCE and EU, Finland and France, arrive in Tbilisi. Mikheil Saakashvili signs the EU-brokered ceasefire plan. Russian army units enter Zugdidi, Senaki and Gori. There are widespread fears that Russian troops may advance on Tbilisi.
- August 12 Gori is bombed again. The Russian foreign minister Sergey Lavrov makes it clear that Moscow seeks regime change in Tbilisi. Russian president Dimitry Medvedev offers a halt to the Russian military operation in Georgia if Tbilisi fulfils two conditions: the Georgian army must disarm, and Tbilisi must sign an agreement promising to never use force against Abkhazia and South Ossetia. Georgia announces its decision to quit the CIS. Russian forces enter Poti. At talks in Moscow, French president Nicolas Sarkozy and his Russian opposite Dimitry Medvedev endorse a six-point peace plan. Sarkozy arrives in Tbilisi from Moscow with the peace plan. Mikheil Saakashvili signs the document. The Presidents of Ukraine, Poland, Estonia, and Lithuania, as well as the Latvian prime minister, visit Tbilisi to show their solidarity with Georgia. Abkhaz forces take control of the Kodori Gorge.
- August 13 Georgia files a lawsuit against Russia at the Hague international tribunal. US president George Bush states firmly that the US stands by the democratically elected Georgian government and demands that Georgia's sovereignty and territorial integrity be respected. He orders the US navy and air force to provide humanitarian aid to Georgia.
- August 15 The Russian army controls Samegrelo region and Gori. Condoleezza Rice, US Secretary of State, arrives in Tbilisi after visiting France. Georgia signs the French-brokered six-point ceasefire agreement.
- August 16 Russian troops blow up a key railway bridge in the Kaspi municipality, cutting the only railway link between eastern and western Georgia. Russian president Dimitry Medvedev signs the six-point ceasefire agreement.
- August 17 Dimitry Medvedev says that Russia will begin pulling out its troops from Georgia on August 18. The German chancellor Angela Merkel visits Tbilisi after talks with Medvedev in Sochi.
- August 19 Russian military personnel and hardware remain in Georgia and there are no signs of withdrawal. Russia and Georgia exchange POWs. The OSCE decides to send 20 observers to South Ossetia immediately to monitor the implementation of the ceasefire agreement and deliveries of humanitarian aid.
- August 20 According to Georgian official sources, 215 Georgian citizens died in the war. According to the Russian General Prosecutor's Office, 133 Ossetian civilians died in conflict. The Russian president Dimitry Medvedev tells the French leader that Russian troops will pull out of undisputed Georgian territories on August 22.

- August 22 Russian forces reinforce their positions in the “buffer zones”. They set up two lines of checkpoints in the “security zone” around South Ossetia: the first line is made up of eight checkpoints along the actual military line of control; the second line consists of ten checkpoints deployed along the administrative border of South Ossetia. The buffer zone is sandwiched between the two lines.
- August 23 Georgian parliament votes to extend martial law till September 8.
- August 25 France announces an EU summit for September 1 to discuss the Georgian crisis. The upper house of the Russian parliament, the Federation Council, passes a resolution urging the president to recognise the independence of Abkhazia and South Ossetia.
- August 26 The Russian president Dimitry Medvedev issues a decree recognizing Abkhazia and South Ossetia as independent states.