

GEORGIA'S CHOICES Charting a Future in Uncertain Times

Executive Summary

The Paper in a Nutshell

Since the Rose Revolution in 2003, Georgia's government has made impressive strides toward building a functioning state that delivers services to its citizens. At the same time, Georgia's economy is still plagued by poverty, high unemployment, and weak exports, while the governing elite faces few checks and balances. In order to build a more stable future, Georgia needs a long-term economic development model and stronger institutions—both of which can be achieved through closer approximation with the European Union.

Vital Statistics

- Georgia has succeeded in virtually eliminating everyday corruption. 98 percent of Georgians report no longer paying bribes, according to one recent survey.
- With GDP per capita of \$4,774, Georgia remains a poor country. Of its former Soviet neighbors, only Moldova is poorer.
- Georgia's official unemployment rate hovers around 16 percent.
- Georgian imports outweigh exports by more than four to one.
- Despite a reputation as a business-friendly environment, Georgia ranks 93rd in the World Economic Forum's Global Competitiveness Index, on par with Argentina and Greece.

Recommendations for U.S. and EU Policy Makers

Promote a comprehensive free trade agreement: The EU is preparing to launch talks on a Deep and Comprehensive Free Trade Area that offers Georgia privileged access to the European market in exchange for institutional and regulatory reforms. Such an arrangement would help ensure Georgia's long-term economic development, but EU officials must do a better job of communicating its value in order to overcome widespread skepticism within both the Georgian elite and society.

Help cover transition costs: If Georgia shows a strong commitment to institutional reform, Brussels and Washington should provide greater political and technical support to help ease the resulting regulatory pain. Aid should be targeted on those areas, agriculture in particular, where the transition will be most difficult.

Practice conditional love: The United States and EU should help nudge Georgia in the right direction by giving an honest and unvarnished assessment of Georgia's political and economic trajectory. By acting as an external check when necessary, Georgia's foreign partners can help the country preserve the best of its recent reforms and build a more sustainable model of governance.

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FOR MORE INFORMATION: *A full-length version of this study is available on the web at: carnegieendowment.org/dewaal. For more information or to speak with one of our scholars, please do not hesitate to contact our congressional liaison, Scott Toussaint, at (202) 939-2307 or stoussaint@ceip.org.*

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