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# Russia's Invasion of Georgia: Strategic Implications

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Russia's invasion of Georgia has been called the act that ended the "End of History", referring to Francis Fukuyama's controversial 1992 book that postulated the final triumph of Western liberal democracy over totalitarian ideologies and the finality of mankind's ideological evolution. On a less metaphysical plane, it marked the end of a uni-polar international system with the US as the only superpower and the rise of a bi-polar (US-Russia) or tri-polar (US-Russia-China) system. It certainly suggests that the US – having done nothing substantive to help its close Georgian ally and its President, Mikheil Saakashvili – has become strategically weaker relative to Russia (and thus, by implication, to China and even Iran). Several factors explain this. The first is that the US is stuck in Iraq, which has weakened it *vis-a-vis* Iran and the threats it faces from al-Qa`ida in Afghanistan and Pakistan. Hostility to the war at home, in the Middle East and elsewhere in the world has had negative effects on the US's image and ability to galvanize the international community on any issue, be it the Iranian threat or even support for Georgia. The second is that the US economy is overburdened by the war in Iraq and by the huge increase in the cost of importing oil. US armed forces are overburdened by fighting two wars, as is the federal budget that finances them. The US needs Russian cooperation in dealing with Iran but has possibly forfeited the chances of achieving it by trying to install missiles in Eastern Europe, recognizing Kosovo and supporting Georgia until the August 8th invasion. Did the US have any alternative? The only one was to send in troops to fight the Russians: logistically and politically, this was virtually impossible and everyone knew it.

While the US's strategic position has been weakened since 2003, Russia's has improved, thanks to two interrelated developments. The first was the transition from the weak regime of Boris Yeltsin to the increasingly strong one of Vladimir Putin. The latter, with his background in the KGB, proved a master in accumulating and exercising political power. He renewed and reinforced the political and economic clout of the central government that had declined so drastically under his predecessors, taking back under public control vital assets in the hydro-carbon sector that had been privatized. To Putin's good fortune, his ascent to the presidency in 2000 occurred just as the rise of international oil prices had begun feeding into the Russian economy: the value of oil exports rose by 83% in 2000 to \$34 billion and gas exports increased by almost 50% to \$16 billion. In 2008, the IMF projects these values at \$158 billion and \$43 billion respectively: a thirteen-fold increase in eight years! As a result, the Russian economy has experienced years of rapid growth; in 2007, it grew by over 8%; since the population declined by 0.5% (a steady trend in recent years), income per capita growth exceeded 8.5%, not far below the rate in China. As a result of the re-nationalization of hydro-carbon assets, the central government directly benefited from the rise in oil and gas revenues. While the fall of oil prices in mid-2008 will moderate this effect, some of the benefits have already been invested in strengthening and diversifying the economy and reducing its external vulnerability: Russia's external public debt was halved between 2003 and 2008. Moscow is, therefore, no longer subject to economic pressure from the IMF, the EU or anyone else.

Russia's incursion into Georgia marked the first time since the invasion of Afghanistan in December 1979 that the main successor state to the USSR - Russia - had attacked and occupied territory in a sovereign neighboring country. Its aim was not only to support pro-Russian South Ossetian and Abkhazian separatists but also, and more significantly, to prevent the emergence of a Georgian alternative to Russian pipelines that transport gas and oil from Central Asia to Europe. The "Finlandization" of Georgia would give Russia control of the Azeri (Baku)-Georgian (Tbilisi)-Turkish (Ceyhan) oil pipeline which came on line in 2006. As pipelines are the economic lifelines of Kazakhstan and Azerbaijan, Russia would thus come to completely dominate the Caspian basin. All the oil and gas that Europe imports from Russia and Central Asia would pass through Russia or Russian-dominated Georgia. Russian bargaining power *vis-a-vis* the Europeans and the US would increase, particularly regarding an area of vital interest to the West over which Moscow has the advantage of geographic proximity.

By invading Georgia, Russia has also warned Baltic, East European and Central Asian states of what would happen if they move too close to the West. It has been seen as the first step towards reestablishing Russian hegemony in the region. However, such

a Russian grand design could backfire. The subsequent US-Poland agreement to install an anti-missile defense system on Polish soil is one indication of the possible negative consequences for Russia of its aggressive foreign policy in its “Near Abroad”. However, larger EU states, particularly Germany, are wary of the pro-American and anti-Russian enthusiasm among the EU’s new eastern members (German Chancellor Angela Merkel was careful to blame both sides for the Georgian crisis). This wariness stems, in part, from the fact that many of its members are dependent on Russia for gas supplies: Russia supplies 36% of German gas needs, 20% of France's and 25% of Italy's. It also supplies 100% of Georgia's, 66% of Ukraine's and 64% of Turkey's. Moreover, gas has become increasingly important in the EU and elsewhere, as it is a greener fuel than coal or oil. In 2000, the European members of the Organization for Economic Cooperation and Development (OECD) consumed 468 billion cubic meters (bcm) of natural gas; in 2007 it consumed 538 bcm, an increase of 10%. At the same time, imports rose from 289 bcm (62% of consumption) to 415 bcm (77% of consumption), a 44% rise. The US, for its part, is famously dependent on imported oil: in 2007, imports accounted for almost 60% of oil consumption. Between 2000 and 2007, its oil import bill rose from \$90 billion to \$232 billion, although the quantity imported increased by only 18%. One-third of the US foreign trade deficit was due to oil, which had major implications for the dollar’s exchange rate.

In light of these trends, what are the implications of the Georgian crisis for the Middle East? US-Russian relations have deteriorated, and we will have to wait for a new administration in Washington to formulate its policies before much more can be said. US standing among allied states from Eastern Europe to the Caucasus, Central Asia, Israel, Iraq and Afghanistan has been weakened, in so far as it has been seen as unwilling or unable to respond to Russia. The main Middle East beneficiary of the invasion has been Iran. Russia now has fewer reasons to cooperate with Washington regarding Iran's nuclear program and may have created the conditions under which the EU will have even less influence in Moscow. Still, there are limits to Russia’s influence in the region, given the threats of separatism by Islamists in its southwest regions. Hence, Russia’s encouragement of Georgian separatists may one day backfire.

For the West, the costs of external energy dependence include relying for supplies on regimes such as those in Russia and the Middle East. As the Georgian crisis has shown, this is proving very costly, and in more ways than one.

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