



**RUSSIAN WTO ACCESSION AND  
THE GENEVA AGREEMENTS  
IMPLICATIONS FOR RUSSIA AND GEORGIA**

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On the cover: Silhouette of the Moscow Kremlin. © Alexey Bushtruk

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# INTRODUCTION

Representatives of Georgia and Russia signed a set of agreements in Geneva on November 9 that opened the way for the World Trade Organization accession of Moscow. Georgia was the only country that had blocked Russian accession to the WTO for years, demanding that Russia let Georgian authorities monitor trade activities between Russia and the separatist Georgian territories of Abkhazia and South Ossetia. According to the Swiss-mediated deal, Moscow agreed to allow an independent, private company to check customs on all border crossing points between Russia and Georgia, including the ones on the separatist territories. In exchange, Georgia ceased blocking Moscow's WTO accession.

This paper intends to look at the broader consequences of the Geneva deal. There are two main research questions to answer. The first is how the Geneva agreements are going to affect Georgia and Russia, both the individual countries and their bilateral relationship. In order to answer this question, the author assesses domestic political and economic implications in both countries, in addition to foreign policy aspects. The latter is particularly important, given that the two countries have had no diplomatic ties since the August 2008 war.

The second research question is whether the Geneva agreements offer a sustainable and realistic framework for monitoring trade activities on the

Russia-Georgia border. While seeking an answer, the problem of potential noncompliance will also be addressed. This latter aspect is necessary to study because one can easily point to many examples when Russia did not comply with agreements with other post-Soviet countries (including Georgia) that faced the threat of separatist conflicts.

The paper relies mainly on secondary sources, as the Geneva agreements as a whole were not yet available by the publication of this paper. However, several pieces of information about it have been published in various Russian and Georgian journals and newspapers, not to mention numerous Western websites. The main primary sources used are declarations of politicians and other officials from Georgia, Russia, and from the nonrecognized separatist entities of Abkhazia and South Ossetia. Documents of the competent Russian and Georgian authorities are also referenced.

It is important to note that any reference made to Abkhazia and South Ossetia as policy actors is not a recognition of their "independence." The opinions presented here are the authors' alone, and do not represent the German Marshall Fund of the United States. The author would like to express his gratitude to Sergei Markedonov and Laszlo Poti for their valuable comments and advice. All mistakes made are solely the author's responsibility.

# 1 THE GENEVA AGREEMENTS

Representatives of Georgia and Russia signed a set of agreements on November 9, 2011 in Geneva on the basic principles of “Mechanism of customs administration and monitoring of trade in goods.” Though the text of the agreements was not available by the time of closing this analysis, several websites published information about it. The Geneva package is composed of a set of agreements, which are about the customs control to be established on the Russia-Georgia border. In exchange for this, Georgia agreed to give up its veto position on Russia’s WTO accession. This deal itself was written in a bilateral Georgian-Russian protocol, signed on November 9, 2011 (*Komsomolskaya Pravda*, November 10, 2011).

The same document set the basic principles of customs monitoring on the common border (*Kavkazskiy Uzel* (a), November 10, 2011). Monitoring will be conducted by a neutral, private company that will operate both on Russian and Georgian territories but will not enter the separatist entities.

A separate Memorandum of Understanding was also signed that defines the role of Switzerland as a neutral third party, which will manage and operate the neutral monitoring company. Another set of documents defines the rules according to which this monitoring company is going to operate (Petrosyan 2011).

Customs monitoring will take place along three “trade corridors” on the Georgia-Russia border. The trade corridors are defined in the document according to UTM (Universal Transverse Mercator) geographic coordinates in order to avoid any debates on the names of the affected territories.

The first trade corridor starts from the Krasnoyarsk *krai* of Russia, from Adler-Sochi southwards, through Abkhazia. On its way, the corridor follows the main road along the shoreline in Abkhazia, and

includes the ports of Gagra, Gudauta, Sukhumi, and Ochamchira. The end point of the corridor is the town of Zugdidi in Georgia proper. The second trade corridor goes from the Russian Federal Republic of North Ossetia-Alania through South Ossetia, along the Transcaucasian Highway that crosses the Roki tunnel southwards and ends in the town of Gori. The third corridor is outside of the disputed territories; it runs through the Zemo Larsi — Kazbegi land border crossing point (Civil, November 18, 2011).

The exit and entry point terminals are the places where the actual monitoring activities will take place. Consequently, no monitoring will be conducted at all in the separatist entities.

The neutral monitoring company will be hired and mandated by Switzerland after consultations with Russia and Georgia. Georgia and Russia will contract the selected company separately. Switzerland will recruit the monitoring staff, with the requirement that neither Georgian nor Russian citizens can be employed. Costs of the operation will be covered from a separate Swiss-administered Trust Fund. Russia and Georgia will pay their contributions in a share equal annually to the share of work conducted by the private company in the two countries (*ibid.*).

The customs monitoring mechanism will be based on two systems. An Electronic Data Exchange System (EDES) will enable Georgian and Russian authorities to share all relevant information on customs and trade transactions with the selected private company. All relevant cargo shipment data will be electronically registered as well, including destination, country of export, country of origin, delivery address, etc. The private company will forward this information to the WTO integrated database (Petrosyan 2011).

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An International Monitoring System will also be established that will be able to monitor the movements of all cargo and trade shipments that go through the three corridors.

Figure 1: Location of the three trade corridors, based on publicly available information



This map was prepared by the author, based on the Wikipedia map available here: [http://s229.photobucket.com/albums/ee277/jefferyhodges/?action=view&current=Georgia\\_high\\_detail\\_map.png&newest=1](http://s229.photobucket.com/albums/ee277/jefferyhodges/?action=view&current=Georgia_high_detail_map.png&newest=1)

In addition to this, an International Monitoring System (IMS) will also be established that will be able to monitor the movements of all cargo and trade shipments that go through the three corridors. Electronic, GPS-tracking seals will be put on all containers and pieces of cargo on the terminals, thus — at least, in theory — it could be ensured that all shipments could be tracked on all their way, and no unplanned stops take place (Ministry of Foreign Affairs of Georgia 2011).

Implementation of the deal will be supervised by a Joint Committee, composed of representation

from Switzerland, Georgia, and Russia. Besides supervision, this committee will be responsible also for handling the debates that may emerge between the parties.

The agreements will come into force on the day that Russia joins the WTO. It is yet unclear whether preliminary coordination talks will start earlier, or the whole process will be launched only after the Russian WTO accession.

# 2 EVALUATION OF THE RUSSIAN WTO ACCESSION

An effort is made in this chapter to overview the possible effects of the Russian WTO accession on Russia and Georgia. The current analysis focuses mostly on issues of foreign and security policy, while economic aspects have only a minor share.

## A Lasting Foreign Policy Success for Moscow...

For Moscow, the agreement with Georgia is an important foreign policy achievement that has considerable domestic political implications as well. In terms of foreign policy, WTO accession has been on the Russian agenda since 1993, though with widely varying intensity. Yet, following the Chinese accession in 2001, Russia has remained the world's only large economy that was not member of the organization.

However, it would be misleading to perceive Russian WTO accession as an end of a consistent, 18-year-long pro-WTO policy. In fact, since the mid-2000s, the Russian accession process has been practically stopped. Prior to this month's meeting, the last WTO-Russia Working Group meeting took place more than five years ago, in March 2006.

The reasons were much more complex than simply the Georgian veto, and were mostly connected to the economic policies of the second Vladimir Putin administration. Instead of joining a world-wide organization that would demand transparent, normative rules and regulations based on market economy principles, Russian leadership preferred economic centralization, and in many cases exercised direct governmental control over certain sectors of the economy. As examples, one may name the measures taken against Western investors in the Russian energy sector, or the state-led creation of large monopolies in the arms and aviation industries. Hence, when Georgia started to block Russian WTO accession, it served also as a useful pretext for the Kremlin. In a way, it

justified Russia's inaction on the market economy and transparency-related reforms expected by the WTO.

## ...But how about the Customs Union?

The real intentions of the Russian leadership were well reflected in the launch of the Customs Union project in 2009. This initiative was aimed at forging Russia, Belarus, and Kazakhstan into a unified system of customs, trade, and investment policy. By the time the Customs Union project began, Russian politicians had come to emphasize that the three member countries were to join the WTO together only. The plan took the WTO by surprise, because the organization did not have the procedure to handle such a "collective" application.

One may remember statements made by Russian officials in 2008-2009, that all three countries had suspended their individual WTO accession negotiations following the launch of the Customs Union project in order to join the organization together (RIA Novosti, June 9, 2009). This had two main implications, one for Russia and one for Kazakhstan. First, as the Belarus of President Alexandr Lukashenko was indeed very far from joining the WTO, linking the three accession processes by Moscow indicated that Russia suspended her membership ambitions for a while.

Second, unlike Belarus and Russia, Kazakhstan did make some progress in her way to the WTO during the early and mid-2000s. Thus, the decision to join (read: not join) the WTO together with Moscow and Minsk meant quite a sacrifice for Astana, as out of the three Customs Union members, only Kazakhstan had a meaningful, progressively developing accession process that had to be suspended. Now, as Russia runs forward on its own, and is likely to quickly finalize its WTO accession, it remains to be seen how this abandonment of the Customs Union solidarity will effect Kazakh-

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Russian relations. However, given Kazakhstan's economic dependency on Russia, Astana is likely to take the bitter pill without any significant counter-reactions.

No important change is likely to happen in the Russian WTO accession process with regard to the future of the Customs Union project. One may, of course, state that the sudden — though not completely unexpected — relaunch of the accession process may indicate a shift of priorities in Russian foreign policy. One could also argue that by joining the WTO so rapidly, Moscow made an important choice, and seems to be ready to face the tensions that are likely to emerge with the other two Customs Union members, primarily with Kazakhstan. However, it would be a mistake to expect that the Customs Union project would be abandoned. It is still an important tool to strengthen the regional economic influence — and in certain sectors the dominance — of Russia. For example, in October 2011, Kyrgyzstan announced that it had the approval of the other Customs Union member states to join the organization. Bishkek considered that such a move would help to stabilize the country: given the existing heavy dependence on Russia, Custom Union accession will help to synchronize trade regulations with the existing realities. The Kyrgyz accession intention was also confirmed by then Kyrgyz prime minister, now President Almazbek Atambaev on November 23, 2011, during his meeting with Customs Union Executive Secretary Sergey Glazyev (Kabar.kg, November 23, 2011). However, Atambaev pointed out that though Customs Union accession is beneficial from the general economic perspective, Kyrgyzstan will insist on certain preferences. All in all, while the Customs Union project indeed continues, its solidarity dimension was significantly weakened when Russia gave up the principle of joining the WTO collectively.

Moreover, the recently launched project of the Eurasian Union indicates that parallel to WTO accession, Russia intends to pursue Eastern integration ambitions as well. The first open news on the Eurasian Union appeared in an article authored by Putin, published in Izvestia on October 1, 2011 (Putin 2011). According to the Russian prime minister, the new project is aimed at establishing a highly integrated market between Russia, Belarus, and Kazakhstan with the possible inclusion of other countries as well. Economic and business cooperation would be fostered by a synchronized legal environment, and unified regulations on tariffs, investments, etc. Another objective is ensuring the free flow of capital and labor. Following the example of the European Union, the Eurasian Union would have a supranational component. Though many details of the project are not yet clear, it is apparent that though WTO accession is indeed a great success for the pro-Western groups of the Russian foreign policy elite, it did not make Russia give up its Eastern ambitions (Saari 2011).

### **Domestic Implications**

WTO accession will be communicated to the Russian domestic audience as an important political breakthrough, and so it may well strengthen the domestic support of the Russian president and the government. The accession fits perfectly into the “modernization” discourse of the Dmitry Medvedev administration. WTO accession will indeed help Russia attract the foreign investment that are desperately needed in several of the national economy's sectors, creating jobs and contributing to the improvement of transport infrastructure““.

The foreign policy success represented by the accession did not help the party to reach the planned two-thirds majority in the State Duma elections that took place on December 4. However, the same is not likely to be true in the presidential

elections to be held on March 4, 2012. Since the WTO accession ceremony is planned for early 2012, it will certainly be used in the campaign as a demonstrated foreign policy success of the ruling regime.

Many experts in Russia question whether the Russian economy will be competitive enough in the global marketplace (Bloomberg, November 10, 2011). Even a slight slowdown of economic growth is not ruled out by officials (Bloomberg, November 16, 2011). Concerns relate particularly to manufacturing industries in addition to the banking and insurance sectors. However, the government is generally interested in the modernization of Russian economy, and attracting more foreign investment is also among their strategic objectives, as was pointed out by President Medvedev recently (President of Russia 2011a). WTO accession indeed offers such opportunities. Besides, Russia will be obliged to phase out various government subsidies to the domestic industries only over the course of several years. Moreover, dominant Russian business circles could still count on the rich inventory of “administrative resources,” by which the government may well be able to largely protect them from the possible negative effects of WTO accession. As Russian Chief WTO Negotiator Maxim Medvedkov openly declared, the government hopes to protect the interests of state-run Gazprom (Bloomberg November 16, 2011).

Supposedly the same applies to the future possibility of using embargoes and similar punitive measures against certain countries that resisted Russian political pressure. Moscow frequently banned the import of Moldovan, Georgian, and sometimes even Polish agricultural products. Russia officially always referred to phytosanitary concerns, however, in most cases, political motivations were more than obvious. The Russian state phytosanitary organization, Rospotrebnadzor, introduced a ban both on Moldovan and Georgian

wines in May 2006, when bilateral relations with these countries were extremely tense. The import of famous Georgian mineral waters “Borjomi” and “Nabeglavi” was also banned (Kavkazskiy Uzel May 22, 2006).

Russian WTO membership is supposed to make bilateral trade relations more transparent, and, in case of a debate, affected WTO members (including Georgia) could rely on the settlement mechanisms offered by the organization. However, in practice, Russian decision-makers may well hope that the above mentioned “administrative resources” will still enable the Kremlin to use punitive agricultural measures, regardless of the normative influence of the WTO membership.

All in all, getting WTO membership after 18 years is indeed an important success for Russian foreign policy. In exchange for this institutionalized achievement, only a regional-level, minor concession had to be made to Georgia. As the Customs Union project also remains unscathed, the price to be paid for WTO accession seems to be more than favorable for Russia, even if one takes into account the possible negative effects.

#### **A Tactical Success for Tbilisi with Strategic Question Marks**

The WTO deal was also important for Georgia, for both domestic and foreign policy reasons. Georgian President Mikheil Saakashvili is facing an increasingly strong opposition (RFE/RL, 7 November 2011), and his popularity is on the decline, due to economic recession, corruption, and certain authoritarian moves against the independent media and opposition forces. As the preparations for the upcoming 2012 parliamentary elections have already started, Saakashvili and his party are in need of spectacular successes to present to the domestic audience.

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*With Russian WTO accession, Georgia will gain an institutionalized tool against Russian punitive economic measures.*

The agreement with Russia is certainly one of them. Russian approval to the trade monitoring in the separatist territories is just one element, though an important one. Tbilisi for the first time managed to push Moscow to make an important concession about the separatist regions, whose “independence” was recognized by Russia in late August 2008. The Geneva deal fits well into the overall context of the slow, gradual reconciliation process that has been going on between Tbilisi and Moscow since last year (BBC July 13, 2010).

From a practical perspective, it is more important that once Russia joins the WTO, Georgia will be able to use WTO mechanisms against the Russian ban on the import of Georgian agricultural products. Such positive developments may well shape the outcome of the coming Georgian elections. Russia is still Georgia’s sixth most important foreign trade partner, especially in the export of agricultural products (alcoholic beverages, mineral water, etc.). Besides, several tens of thousands of Georgians work in Russia, and large investment projects are made both by Russian and Georgian businessmen in the other country. All in all, the hostile period that followed the August 2008 war did a lot of harm to the Georgian economy. With Russian WTO accession, Georgia will gain an institutionalized tool against Russian punitive economic measures. Georgian business companies are also optimistic about returning to the Russian market with their agricultural products (Kavkazskiy Uzel (b) November 10, 2011).

EU and NATO-related motives played a crucial role for Georgia as well. Tbilisi is pursuing accession to both organizations, though currently no membership prospect is offered by either of them. Georgia is one of the most progressive partners in the Eastern Partnership initiative of the European Union: Tbilisi seeks to sign an Association Agreement that would include free trade, and also hopes to conclude an agreement on

a visa-free regime with the EU. The country is also actively cooperating with the NATO through the frameworks of the Annual National Programme and the Partnership for Peace Programme, and is the largest non-NATO contributor to the Alliance’s operation in Afghanistan.

The WTO agreement with Russia was an important tool to further demonstrate Georgia’s pro-Western commitment. The West has long been interested in getting Russia into the WTO, so Tbilisi may well expect to get political concessions from both sides of the Atlantic in exchange for the deal with Moscow. Should Western criticism regarding the authoritarian developments in Georgian domestic politics soften slightly, it would be a more than welcome development for the Tbilisi government. The November 17, 2011, resolution of the European Parliament on Georgia could be interpreted as exactly such a gesture; it praised the “significant progress” Georgia made in her democratic reforms, and called Tbilisi one of the best-performing partners of the Eastern Partnership initiative (European Parliament 2011). The resolution was, of course, warmly welcomed in Tbilisi (RIA Novosti November 18, 2011).

However, Georgia does not seem to be getting any lasting, institutionalized benefits from the Geneva agreement as yet, other than the dispute settlement possibilities. Even for signing the above-mentioned Association Agreement with the European Union, a lot still needs to be done on the Georgian side. At this point, one may well say that while for Russia the agreement has already provided a long-term, lasting result, for Georgia it appears to be a tactical success only, particularly if questions related to the implementation of the agreement are taken into account.

### Separatist Perspectives

The situation of the two separatist regions of Georgia following Russian WTO accession also deserves attention. Though Russia is most likely to join WTO, the separatist regions of Abkhazia and South Ossetia obviously will not, as they are neither parts of Russia, nor is their independence recognized by the wider international community. Moreover, under international law, these regions still belong to Georgia, so theoretically the Georgian WTO accession in 2000 would have brought both Abkhazia and South Ossetia into the organization. However, it did not, as de facto Georgia has no control over these territories. Both regions have their own administrations, including trade and customs regulations and these will continue, regardless of Russian WTO accession. Hence, Russian accession is unlikely to have any direct effect on the “national” trade and customs legislations of the separatist regions.

In the long run, one may assume that certain regulatory approximation will take place regardless, given the extent that these economies are connected to (read: dependent on) the Russian economy and governmental support. However, this approximation is going to happen not because of the WTO, but is more connected to Russian efforts to get the customs regulations of the neighbouring countries re-approximated to the ones of Russia. Moscow just recently signed customs assistance agreements with both separatist entities (President of Russia 2011b, c).

The separatist regimes are absolutely against the deployment of any international customs monitoring mission to their external borders. Their resistance is motivated by both economic and political reasons, and they started to protest against any external monitoring even before the Geneva agreements were signed (Kavkazskiy Uzel November 3, 2011).

Both separatist regions have direct and practical land trade contacts only with Russia; trade contacts with Georgia are extremely limited. Though Abkhazia is increasing its sea trade, landlocked South Ossetia obviously cannot do so. Particularly in the case of South Ossetia, trade with its northern neighbor is dominated by smuggling various illegal goods, such as alcohol, tobacco, electronics, etc., largely bypassing Russian customs regulations. These illegal activities are conducted with the silent consent — sometimes with the active participation — of local Russian authorities, organized mostly by South and North Ossetian criminal groups. Any international monitoring would endanger this lucrative business on both sides of the South Ossetian section of the Russia-Georgia border. Abkhazia has a more diversified economy, but smuggling and contraband still play a role in the trade with Russia. Though according to the Geneva agreement, no international monitors would be deployed to Abkhazia and South Ossetia, both the Sukhumi and Chinvali leadership are afraid that international monitoring of corridors No.1 and No.2 will seriously limit their land trade contacts with Russia.

However, it is worth noting that the Geneva agreements apply only to the land trade between Georgia and Russia and between the separatist entities and Russia. Consequently, no customs monitoring will be implemented on the sea routes that connect Abkhazia with other parts of the world. This shortcoming is important not only because of organized crime-related aspects (smuggling, etc.), but also because most Russian military supplies reportedly arrive in Abkhazia by sea from Sochi and other military ports.

Air traffic is also not addressed by the agreement. There are at least two major airports in Abkhazia, a civilian one near the capital, Sukhumi, and an ex-Soviet military facility in Gudauta, currently used by Russian forces. The situation is quite

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similar to the one of Moldova: the lack of any monitoring of air traffic is a long-present problem in the case of the separatist Transnistria region as well. Several sources claim shipments of arms and illegal goods leave the separatist territory via air, mainly from the military airport of Tiraspol (Socor 2004). The emergence of similar problems cannot be excluded in the case of Abkhazia, particularly if customs monitoring on the land borders becomes operational. Additionally, the Gudauta air base served as an entry point of Russian arms shipment even in the early 1990s (Sergounin 1998).

An additional, more political point of concern for the separatist regimes is that any international customs monitoring would actually violate their “independence.” Hence, the firm rejection of the idea also becomes a matter of prestige, on top of the business interests discussed above. This is particularly true since one may argue that with the

Geneva agreements, Russia implicitly recognized both the River Psou and the Roki tunnel as Georgian borders, and, in a way questioned the independence of the separatist entities (Jgharkava 2011). Of course, Russian leadership rejects such accusations and ensures both Sukhumi and Chinvali that the Geneva agreements will not affect their autonomy (RIA Novosti November 10, 2011).

Once the Geneva agreement monitoring mission is launched, reactions of the Georgian separatist regimes will probably be similar to the ones that Transnistria gave following the introduction of tighter customs regime by Moldova and Ukraine in 2006 and the deployment of the European Union Border Assistance Mission (EUBAM) to the border. At that time Transnistria claimed that it was under economic “blockade,” which caused a humanitarian disaster (Botan 2006).

# 3 IMPLEMENTATION CONCERNS ABOUT THE GENEVA AGREEMENTS

The actual implementation of the Geneva agreements raises several concerns. The most important risk is a political one: whether Russia will really comply with the Geneva agreements once its strategic objective, namely the WTO accession, has been reached. In the past, Russia has frequently misused its institutionalized position in the conflict settlement mechanisms (both in Georgia and Moldova), thus effectively blocking them. The framework laid down in the Geneva agreements, in fact, offers a similar possibility. Besides, there are some operational concerns present as well.

### The Political Risk: History Repeating Itself?

The main point of concern regarding the Geneva agreements is whether Russia would be an honest broker and be ready to cooperate. The question is particularly relevant in the light of the recent cool-down of U.S.-Russia relations due to tensions about the missile defense system. The coming elections in Russia, Georgia, and the United States are also not supportive of a too flexible foreign policy attitude.

One may not exclude the possibility that once WTO accession is finally completed, the actual implementation of the Geneva agreement will be hampered, or even made impossible by Russia. Moscow recognizes the “independence” of Abkhazia and South Ossetia, so the objections of the separatist regimes could be used as pretexts for a Russian action to block the implementation of the Geneva agreement. One could find several examples from the last two decades when Moscow referred to the objections of the separatist “authorities” — whether in Abkhazia, South Ossetia, or Transnistria — as a pretext for noncompliance when dealing either with Georgia or Moldova.

Moreover, Russia has a rich record of misusing its institutionalized position in the conflict settlement mechanisms in Moldova and Georgia,

by de facto transforming them to “conflict-keeping” mechanisms, such as the Joint Control Commission, which was set up in Moldova in 1992 at the end of the civil war in Transnistria; the Joint Control Commission that was established by the Sochi Agreement in 1992 and put an end to the Georgia-South Ossetia civil war; and the UN-mandated Geneva Peace Process about the conflict in Abkhazia. In all three cases, Russia used its institutionalized decision-making position for blocking the resolution processes (Asmus 2010). Russia may similarly misuse the Joint Commission to be set up according to the Geneva agreements.

It has to be borne in mind that creating implementation problems for the Geneva agreement could well serve as an important Russian tool to intervene into Georgian domestic politics. This may become relevant not only in connection with the 2012 parliamentary elections, but particularly before and during the Georgian presidential elections of 2013. Through de facto controlling of how effectively customs checking could be implemented, Moscow will get additional leverage in its relations with the separatist regimes in Abkhazia and South Ossetia. Once WTO accession is finally achieved, influencing the implementation of the Geneva agreement may become highly tempting for Moscow.

A few experts from the regions have already voiced such concerns, and linked the seriousness of implementation to the overall context of how bilateral Georgia-Russia relations could develop. In case of a negative turn, they do not exclude that the activity of the international monitors will be degraded to the level of empty formality (Kavkazskiy Uzel (b) November 10, 2011).

Should problems emerge with the implementation of the Geneva agreement, Tbilisi would hardly be able to do anything effective to curb them. First, most of the territory concerned is and will be under Russian

*The most important risk is a political one: whether Russia will really comply with the Geneva agreements once its strategic objective, namely the WTO accession, has been reached.*

*If Russia decides not to comply with the Geneva agreements, the use of administrative resources would be the easiest way to hamper the activities of the chosen private customs checking company.*

control, with no Georgian authority. Second, the Georgian veto position has already been given up, and will be permanently lost after Russia becomes member of the World Trade Organization.

### Operational Challenges

When compared to the EUBAM mission, the monitoring framework laid down in the Geneva agreements appears to be much weaker due to differences in the operational environment. First, the Swiss-hired customs monitoring company will have to operate partially on the territory of the very country that guarantees the independence of Abkhazia and South Ossetia, namely Russia. Second, Russia was not given a direct institutionalized decision-making position in the EUBAM case, while the Geneva agreements are actually built on the cooperativeness of the Russian authorities (providing access to customs information, etc.). Third, EUBAM has a widely recognized, EU-granted mandate, while the mandate of the private company that is going to monitor customs and trade on the Russian-Georgian border will be provided “only” by Switzerland as a neutral third party. As a consequence, international personnel deployed in line with the Geneva agreement will not enjoy the same level of protection as EUBAM personnel. All in all, compared to the EUBAM, the Geneva agreement monitoring mission appears to be significantly weaker, which may lead to certain hardships, connected mostly to implementation.

The Geneva agreement comes into force only on the very day of Russia’s accession to the WTO. Deploying the Swiss-hired private company on the border region will take time, as will the operational preparations. As analyzed above, the mechanism prescribed by the Geneva agreements contains several possible bottlenecks, both administrative and technical: whether and how the parties will be able to agree on one private company; whether

they will be able to agree on the costs; whether the two systems, the EDES and the IMS, will be set up; how much time will it require, etc. Even if all parties involved cooperate in good faith, setting up a functional customs monitoring system may turn out to be very time consuming.

If Russia decides not to comply with the Geneva agreements, the use of administrative resources would be the easiest way to hamper the activities of the chosen private customs checking company. Even small problems could cause considerable delay in their operations: for example, badly functioning coordination with local border guards and customs units, no access to customs information networks, slow registration of vehicles, visas denied for the employees (most probably they will not be diplomats, just private company employees, possessing a service mandate from Switzerland), no internet access, supply problems, lack of interpreters, and so on.

Another way of blocking implementation would simply be to question the neutrality of the Swiss-hired private company. For example, an outbreak of a spy-scandal — whether real or fabricated — could well serve as a pretext. In an article published by *Moskovskiy Komsomolets*, the concern was openly voiced that the neutral private monitoring company could be a perfect opportunity for foreign spies to, for example, to monitor Russian military moves in to and from the military bases in the region (*Moskovskiy Komsomolets* November 11, 2011).

Finally, the separatist authorities are unlikely to cooperate at all. The Abkhaz president has already declared that his country is opposed to any kind of international monitoring in the border region, and similar statements were made by the Ossetian leadership as well. It remains to be seen, though, whether and to what extent the separatist regimes would be able to technically hamper the implementation of the Geneva agreements.

# 4 SUMMARY AND CONCLUSION

The Geneva agreements indeed brought a breakthrough in Russia's 18-year-long process of trying to join the WTO. Georgia gave up its veto on Russia's WTO accession, and in exchange, Moscow agreed to the deployment of international customs monitors to the land trade routes between Russia and Georgia, including the two separatist entities. Monitoring will be exercised by an independent private company, hired and operated by Switzerland.

Under the Geneva agreements, Moscow is given the chance to quickly reach a lasting, spectacular success, namely the long-awaited accession to the WTO. Such an achievement is particularly beneficial for the Kremlin in the light of the coming presidential elections. The WTO accession was also used by the government in the campaign before the parliamentary elections. An additional foreign policy-related benefit is that future WTO membership seemingly does not hamper Russia's alternative project of economic integration, the Customs Union between Russia, Belarus, and Kazakhstan. On the contrary, the recently launched Eurasian Union initiative is aimed at fostering an even closer economic integration between the same three countries. All in all, Russia seemingly manages to pursue a Western and an Eastern integration project together.

In the short term, Georgia also profits from the agreement: for the first time since the early 1990s, Tbilisi managed to push Moscow to make an important concession regarding the two separatist entities. Besides, by deploying an international monitoring company to the borders of the two countries, Georgia also seems to achieve another long-term objective: to have an oversight of the trade activities of the separatist regions. Though the control will only be indirect (e.g. exercised through an independent private company), it is still much better than ever before. These achievements will surely be used by the current government

while preparing for the parliamentary election in 2012. It is important to note, though, that this control depends on the cooperativeness of Russia exclusively.

Regarding long-term perspectives, once Russia joins the WTO, Georgia may well rely on the dispute settlement mechanisms of the WTO. By using this forum, Tbilisi can indeed hope to put an end to the Russian ban on the import of Georgian agricultural products.

However, there are also some concerns for Georgia. The most important is that Georgia did not get any institutionalized benefit from the West in exchange for giving up its most important leverage against Russia. No significant progress took place either in the EU or in the NATO integration. The recent EU decision to launch negotiations on the Deep and Comprehensive Free Trade Agreement is far from any institutionalized guarantee.

The customs monitoring framework laid down in the Geneva agreement appears to be a viable structure, as long as both parties behave as honest brokers. There are indeed a set of operational hardships to overcome, but none of them seems to be impossible. The agreement has one key technical weakness though: it does not address trade via air or sea between Russia and Abkhazia at all.

A much more important, structural weakness is that if Russia decides to change its mind and would start acting against the agreement by either hampering or blocking its implementation, the whole Geneva structure would quickly be rendered useless. Russia has a rich record in misusing its institutionalized position in conflict-settlements mechanisms: it did so against Moldova and Georgia. Both in the case of Abkhazia and South Ossetia, Russia used its institutionalized role in the conflict settlement to block any progress, thus preserving the status quo. The situation with

*The customs monitoring framework laid down in the Geneva agreement appears to be a viable structure, as long as both parties behave as honest brokers.*

the Geneva agreements looks quite similar: the efficient implementation of the customs monitoring mechanism in fact depends on Russia. In case of any Russian noncompliance with the Geneva agreement, Georgia would be in a highly vulnerable position.

Blocking or hampering the implementation of the Geneva agreement would give Moscow additional leverage over Tbilisi, and would offer a direct way of interfering in Georgian domestic politics, right before parliamentary elections in 2012 and presidential elections in 2013. Taking into account the past experiences of Georgia-Russia relations, including the well-known tense personal relationship of Vladimir Putin and Mikheil

Saakashvili, one could hardly exclude that Russia would not resist the temptation of using this tools against Georgia after WTO accession is completed.

All in all, the deal made in Geneva on November 9, 2011 seems to be far too optimistic and, in a way, blind to past experiences. It grants the reward for cooperation to Russia, namely the WTO accession, well in advance of when cooperation itself would actually start. Thus, if it decides to, Russia may easily turn the Geneva agreements into another tool of preserving the regional status quo simply by not implementing them, while the WTO membership will already be achieved.

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