



Op-Ed: “Anaklia Deep-Sea Port – too Important for Georgia and the West to Lose”

Georgia’s Reforms Associates (GRASS)

***Authors: Paata Gaprindashvili
Mariam Tsitsikashvili***

The Anaklia deep-sea port, generally and rightly acknowledged as an essential project for Georgia's long term security and economic development, was launched in 2016, with the Georgian-American Anaklia Development Consortium starting construction works in December 2017. However, as 2020 approaches, domestic political struggles are putting at risk the effort to provide Georgia's first deep-sea port, and thus endangering a possible alternative trade route between Asia and Europe.

Anaklia port and its economic and geopolitical importance

Georgia's ambition to construct one of the largest ports on the Black Sea, with state-of-the-art deep-water infrastructure, represents a real opportunity for the country to cement its position as a major regional hub and mark its strategic location along the new Silk Road. By 2025, even in the most pessimistic forecasts, the Anaklia port is expected to attract 600,000 TEUs of cargo (one TEU is equivalent to one regular container) and will accommodate 10,000 TEU ships. These are the largest ships that pass through the Bosphorus, those which existing ports in Georgia (Poti and Batumi) are unable to berth. For Georgians, the port in Anaklia could finally change the damaging perception that Georgia is merely a part of Russia's "neighbourhood", while for the Europeans, the new port on Georgia's Black Sea coast would provide an alternative corridor for the east-west land trade that currently flows through Russia.

Domestic struggles and contradictory signals from the government

Although the ground-breaking ceremony for the project has already been held, it is now mired in controversy. As well as its opponent abroad, Russia, the port also apparently has its domestic adversaries. Those whose business interests are connected to the Poti port (situated 70 km away from Anaklia) fear losing their economic benefits and are therefore trying to torpedo the Anaklia project, for example by pushing the government to develop deep sea infrastructure in Poti. This looks odd, to say the least, as it was the government's feasibility research that identified Anaklia in the first place as the best place to construct a deep-sea port on Georgia's coastline.

What's more, the Anaklia Development Consortium, which won the government tender, has unexpectedly become the object of the government's questionable scrutiny. This began with the revelations that allegedly incriminate consortium founder Mamuka Khazaradze for money laundering in his capacity as a chairman of one of the largest banks, TBC Bank, and then continued with statements by top government officials about the commitments that the consortium is allegedly not fulfilling.

It seems that the government does not have a unified position on the project. While nobody has dared to publicly call the project into question, and the authorities including Prime Minister Mamuka Bakhtadze have formally committed themselves to the construction of the port, recent developments have shown politicians having second thoughts. For instance, after his resignation, the former minister of economy openly questioned the economic potential of the Anaklia port, even though it was his ruling party that acknowledged the special economic status of Anaklia in the Georgian Constitution.

After months of uncertainty regarding the eight conditions that the donor banks – (European Bank for Reconstruction and Development (EBRD), Overseas Private Investment Corporation (OPIC), Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB)) requested from the government before investing \$400m in the project, in May 2019 the government and the investor banks agreed on seven out of eight conditions. When it seemed that the last point – commercial risk insurance – was the only remaining issue, the negotiation process was endangered by the government's unexpected decision to grant a deep-sea port development license to Poti port. Although the Ministry of Economy annulled this decision, the inconsistent moves unsettled those involved in the project and damaged the image of the government.

There is reasonable suspicion that this controversy regarding the project is related to the personal clash between Bidzina Ivanishvili, the chairman of the ruling Georgian Dream party, and consortium founder Khazaradze. Strikingly, queries about Khazaradze came out following Ivanishvili's complaint about Khazaradze's failure to appreciate him. After months of silence, Ivanishvili made his first comment about the Anaklia project in April 2019, stating that he had always been sceptical of having a private company construct such a complex project. It seems that Ivanishvili's concerns about Khazaradze impeded the government from fully supporting the project. Some might see the influence of the Kremlin behind Ivanishvili's actions. Irrespective of what has prevented Ivanishvili from fully supporting the project, putting the project in jeopardy is certainly in line with the Kremlin's interests.

Time for the project supporters to come out

The ball is in the government's court; it must break this deadlock and convince international investors of its deep commitment to the project. US State Secretary Mike Pompeo has urged Georgian authorities to complete the port project in order to prevent the country from falling prey to Russian or Chinese economic influence. Going back to the negotiation table and finding a compromise on the commercial risk insurance would be one good option to get out of the current situation. The EU also has a role to play. Having already acknowledged the port's strategic importance, Europe should now exert its influence on Ivanishvili to ensure the project is not derailed by his and his close circle's opaque interests.

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