GEORGIA’S DOOMED DEEP-SEA PORT AMBITIONS:
Geopolitics of the Cancelled Anaklia Project

Maximilian Hess & Maia Otarashvili
Authors: Maximilian Hess & Maia Otarashvili

The views expressed in this report are those of the author alone and do not necessarily reflect the position of the Foreign Policy Research Institute, a non-partisan organization that seeks to publish well-argued, policy-oriented articles on American foreign policy and national security priorities.

Eurasia Program Leadership

Director: Chris Miller
Deputy Director: Maia Otarashvili

Editing: Thomas J. Shattuck
Design: Natalia Kopytnik

© 2020 by the Foreign Policy Research Institute

October 2020
The Foreign Policy Research Institute is dedicated to producing the highest quality scholarship and nonpartisan policy analysis focused on crucial foreign policy and national security challenges facing the United States. We educate those who make and influence policy, as well as the public at large, through the lens of history, geography, and culture.

OFFERING IDEAS

In an increasingly polarized world, we pride ourselves on our tradition of nonpartisan scholarship. We count among our ranks over 100 affiliated scholars located throughout the nation and the world who appear regularly in national and international media, testify on Capitol Hill, and are consulted by U.S. government agencies.

EDUCATING THE AMERICAN PUBLIC

FPRI was founded on the premise that an informed and educated citizenry is paramount for the U.S. to conduct a coherent foreign policy. Through in-depth research and extensive public programming, FPRI offers insights to help the public understand our volatile world.

CHAMPIONING CIVIC LITERACY

We believe that a robust civic education is a national imperative. FPRI aims to provide teachers with the tools they need in developing civic literacy, and works to enrich young people’s understanding of the institutions and ideas that shape American political life and our role in the world.
**Georgia’s Doomed Sea Port Ambitions**

Geopolitics of the Cancelled Anaklia Project

**About the Authors**

Maximilian Hess is a Central Asia Fellow in the Eurasia Program at the Foreign Policy Research Institute. He is the Head of Political Risk Analysis and Consulting at AKE International in London, where he also heads the Europe and Eurasia desks. He is a graduate of Franklin & Marshall College and SOAS, University of London. His research focuses on the relationship between trade, debt, international relations and foreign policy, as well the overlap between political and economic networks.

Maia Otarashvili is the Deputy Director of Research at the Foreign Policy Research Institute and Deputy Director of its Eurasia Program. She is co-editor of FPRI’s 2017 volume Does Democracy Matter? The United States and Global Democracy Support. Her research focuses on geopolitics and security of the Black Sea-Caucasus region. Her current work examines the post-Soviet frozen conflicts of Abkhazia, South Ossetia, and Transnistria. Maia is a PhD candidate at the War Studies Department at King’s College, London. She holds an M.A. in Globalization, Development and Transition from the University of Westminster in London, with emphasis on post-authoritarian transitions.
INTRODUCTION

Georgia has long sought to take advantage of its strategically important location and establish itself as a significant transit hub connecting Europe and Asia. This endeavor has been slowly advanced by an array of innovative economic reforms, as well as some successful, smaller infrastructure and development projects. However, it has also been marked by repeated failures in making larger-scale initiatives happen. Despite its 190-mile-long Black Sea coastline, Georgia still does not have a deep-sea port, and enjoys very limited overall maritime capacity. This shortcoming poses a major impediment on the country’s aspirations of becoming a significant hub for the Eurasian transit system.

Successful governments in Tbilisi have repeatedly sought to develop a deep-sea port where the Inguri River meets the Black Sea, near the small village of Anaklia. Former President Mikheil Saakashvili (2004 to 2012) promoted the development of a deep-sea port at the site, which he dubbed Lazika. However, the project has even deeper roots than that: A small pier was built in Anaklia in the 1960s and, shortly before the Soviet collapse, Georgian geographer Archil Kiknadze and architect Giorgi Metreveli were tasked with drafting plans for a deep-sea port at Anaklia. Neither ever managed to see this ambition through to fruition. The current Georgian Dream government shutdown Saakashvili’s Lazika project after coming to power in 2012. However, it resurrected the concept in 2015. Such a port would be a part of an entire industrial city that would be designated a Special Economic Zone (SEZ) and serve as a major economic and free trade hub, much like Singapore.

Despite its 190-mile-long Black Sea coastline, Georgia still does not have a deep-sea port, and enjoys very limited overall maritime capacity.

This time around, the project seemed ambitious, innovative, and promising. It involved highly qualified, serious technocrats and businessmen with proven, successful track records in both Georgia’s government and private sectors. Moreover, it included a diverse group of investors and stakeholders, from the United States to Europe to China, and significant international backing from Georgia’s strategic partners in Washington, D.C., and Brussels. Yet, by 2019, the project again appeared doomed, and, in January

much like with Lazika, over-politicization of the project appeared to be one of the main causes for Anaklia’s death. But there were also questions about the project’s financing. American investors pulled out of the project well before it was officially cancelled. As of this writing, Anaklia Port Company and Dutch investor Bob Meijer are seeking arbitration with Georgia at the International Centre for Settlement of Investment Disputes (ICSID) over the project’s cancellation. As the arbitration moves forward, the details surrounding these financing issues will come to light. But the significant political and geopolitical consequences of the project’s cancellation have begun to unfold already.

The promising project’s messy failure might lead to near-term pessimism about Georgia’s ability to ever build a deep-sea port. Yet the strategic benefits such a project offers means it is all but certain Tbilisi will try again. The Georgian Dream government has already considered expanding its existing port facilities in Poti, and the idea of a deep-sea port has broad political support, even if the parties differ significantly on who should build it and how. Objectively examining the failure of the Anaklia project is necessary if a new effort is to have a more positive fate. Furthermore, the project and its demise will be an important feature of the 2020 election—with Anaklia’s disgruntled Georgian investors leading their own political movement. Moreover, the outcome of the arbitration launched in the aftermath of Anaklia’s cancellation may shape the investment climate in Tbilisi going forward, as well as the reputation of its key political figures, in the eyes of Georgia’s Western allies.

ANAKLIA 2.0: A PROMISING START

Anaklia, as a deep-sea port, would be well positioned to serve as a key hub for East-West trade. Former U.S. Secretary of Defense Donald Rumsfeld identified this potential in a 2016 op-ed, and called for the United States to be more active in its development. And indeed, American companies ended up having a significant role in the project. The principal investor in the Anaklia Port Project was the Anaklia Development Consortium (ADC), which consisted of TBC Holding (Georgia), Conti International (U.S.), SSA Marine (U.S.), Wondernet Express (UK), and G-Star Ltd (Bulgaria). The Government of Georgia granted the consortium $100 million and exclusive rights to construction, development, and operation of the city and the port. Other investors in the project included Maritime & Transport Business Solutions (The Netherlands), Van Oord (The

Netherlands), Royal Haskoning DHV (The Netherlands), and Moffat & Nichol (U.S.).

ADC’s winning bid in 2016 beat out a competing bid backed by Chinese state-owned firm PowerChina. This came as a surprise to some. A mere six months earlier, Tbilisi was actively courting Beijing, and even hosted the first summit of the Chinese-led Asian Infrastructure Investment Bank in August 2015. The Georgian government hoped to benefit from a stronger relationship with China for economic and security reasons, as it would allow Georgia to balance China’s business interests in the region against Russia’s security interests in the Black Sea/Caucasus. The Anaklia Port and ongoing ground infrastructure projects in Georgia, including the expansion of the Baku-Tbilisi Railway, were intended to be part of China’s Belt and Road Initiative. One popular theory has suggested that the project was given to the Anaklia Development Consortium because ADC’s bid promised better employment prospects for local Georgians. Shortly after the contract was awarded in 2016, TBC Holding’s founders, Mamuka Khazaradze and Badri Japaridze, also purchased a bank partially owned by Georgia’s dominant politician and businessman Bidzina Ivanishvili and his political ally Kakha Kaladze, the

current mayor of Tbilisi.\textsuperscript{11}

The domestic political support for the project appeared strong: Then-Prime Minister Giorgi Kvirikashvili had personally announced the project, which he hailed as a success of his foreign investment drive. The involvement of U.S. firms also provided the potential for bringing Georgia and the West closer together politically.

Anaklia sits on the fault line of Tbilisi’s Western ambitions and the challenge posed by Russia to Georgia and its Western allies. Georgia and Russia have not had formal geopolitical relations since their 2008 war. The port, if built, would lie immediately adjacent to the dividing line between Georgia and its breakaway region of Abkhazia, which Moscow recognizes as sovereign. Georgia’s strong pro-Western bent and Abkhazia’s dependence on Moscow represent just one potential flashpoint. Georgia, and therefore Anaklia, is also located at a critical intersection on the emerging international land corridors between Europe and Asia. Goods transiting through Anaklia could enjoy the shortest overland corridor between the two continents, putting them in reach of a marketplace of nearly 2.3 billion consumers in countries with rapid growth and burgeoning middle classes. A short flight from Anaklia could deliver cargo to all key urban centers in Europe, Russia and the Commonwealth of Independent States (CIS), Turkey, and the Arabian Gulf. Rail connections, which the government promised to modernize to exploit Anaklia’s potential, might bring cargo to any destination in China, Europe, or the CIS region within two weeks: a significant reduction from current transit times. None of this is presently possible because Georgia’s existing ports in Batumi and Poti lack the capacity and infrastructure to handle cargo loads of such significance.

\textbf{THE PORT, IF BUILT, WOULD LIE IMMEDIATELY ADJACENT TO THE DIVIDING LINE BETWEEN GEORGIA AND ITS BREAKAWAY REGION OF ABKHAZIA, WHICH MOSCOW RECOGNIZES AS SOVEREIGN.}

Anaklia was planned as a 52-year project to unfold in nine phases. By 2020, Anaklia was set to have a three-birth, 600,000 twenty-foot equivalent unit (TEU) capacity, of which two births would be exclusively devoted to dry cargo. This capacity would be scalable to 900,000 TEU. The plans also included the Anaklia Special Economic Zone (SEZ), which would be attached and fully integrated into the port. Planned as a mixed-use development SEZ with logistics, industrial, financial, and service clusters, Anaklia was to

have direct access to multiple transportation infrastructures, including links to national road and railway networks, as well as an international airport 56 miles away. The SEZ was to become the basis of a new urban center on Georgia’s vibrant Black Sea coast—an additional incentive to foreign investors.

Establishing Anaklia as a reliable transit route and diverting a large enough volume of goods to the port would be no small feat. But there was much reason to believe that with the right leadership and international funding, it would be a natural gateway for international shipping. Georgia currently enjoys a Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union and preferential trade agreements with the European Free Trade Association, CIS countries (including Russia), Japan, and the United States. Georgia also signed a free trade agreement with China in 2017. Anaklia would serve as the nearest port of access for the Southern Caucasus (population of 17 million), and most importantly, the nearest port of access to the landlocked nations of Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, and North Iran and for the North and South Caucasus and Anatolia (with a combined population of 180 million).

THE DEATH OF ANAKLIA: POLITICAL AND FINANCIAL CONTROVERSIES

Political Reasons

Signs of controversy around the project started to manifest in 2018. Ivanishvili officially returned to politics as the chairman of his ruling Georgian Dream party, citing his disapproval of the policies of Kvirikashvili. After a highly publicized and controversial party committee meeting in June, Kvirikashvili resigned from his post as prime minister. The meeting was closed to the public and media, but information started to leak out quickly: Attendees told reporters that Anaklia had been widely discussed. The incoming minister of economy at the time, Giorgi Qobulia, said, “There was a lot of talk of the Anaklia project [at the meeting]. This is a matter of Georgia’s overall logistical hub strategy. Anaklia should not be separate. Anaklia project is one that must be closely examined. We are talking about a complex study of the matter and we need to reexamine it.”

The Infrastructure and Regional Development Minister Maya Tskitishvili added, “We have a relationship with the consortium, we have an agreement, we have obligations, there are certain requests from the consortium regarding changes to the agreement, which we are considering and, naturally, we will try to take their position into account too. But for us the people’s interest comes first. The state interests must be protected first, and then those of the consortium, even when it

comes to this project.” A year later, upon her resignation from the party, lawmaker Eka Beselia confirmed that at the meeting “there was a very critical and negative attitude towards the project, and in particular towards the head of the consortium, Mamuka Khazaradze. This was apparent . . . also in the aftermath of that meeting.”

Shortly after the committee meeting, Newposts.ge published an article claiming that Mamuka Khazaradze was going to be indicted. Much of the media commentary at the time claimed that Ivanishvili personally disliked Khazaradze, a long-time close friend of Kvirikashvili. One report claimed that Ivanishvili had personally requested that the Central Bureau of Investigations go after Khazaradze. According to the story, Ivanishvili was “irritated” about a possible Kvirikashvili-Khazaradze alliance and said, “Khazaradze will meet the same fate as Khodorkovsky.”

The rumor of the impending indictment was refuted by many GD officials, including then-Minister of Interior Giorgi Gakharia (who is now prime minister). However, on August 2, 2018, the general prosecutor’s office launched an investigation into Khazaradze’s TBC bank on alleged money-laundering charges.

The probe centered on a claim that transactions the bank had undertaken with Khazaradze and co-founder Badri Japaridze in 2007 and 2008 improperly benefited the pair at other shareholders’ expense. News of the investigation sent TBC’s share price
reeling, while its directors publicly asserted the move was politically motivated. However, the spat was settled in February 2019 with TBC Bank agreeing to pay a 1 million lari settlement (roughly $324,000 at present exchange rates) and to drop its own lawsuits against the Central Bank, which it had initiated in response to the investigation.\(^\text{17}\) Yet, the political battle did not end with the settlement.

In June 2019, Khazaradze launched his own political party named Lelo, with the goal of challenging GD and Ivanishvili’s rule over Georgia.\(^\text{18}\) He became an avid critic of Ivanishvili, openly claiming that it was the GD chairman’s personal goal to shutdown Anaklia. Khazaradze claimed that in a 2017 conversation, Ivanishvili told him: “Let’s leave Anaklia alone. You clearly don’t understand geopolitics. What are the Americans doing in the Black Sea? I thought that a Chinese state company was supposed to be the investor, and now I don’t see any prospects for that.”\(^\text{19}\)

The TBC bank crackdown in 2018 and the political fallout put Anaklia’s future in question and shook investor confidence. In May 2019, the Georgian minister of economy authorized a deep-sea port project in Poti. The news was met with outrage from the Anaklia Development Consortium and the project’s investors, who saw it as another blow to the project’s already shaken foundation. But a month later, the government cancelled the construction license for the Poti deep-sea

---


The reasons for this are not completely known. The ministry cited irregularities in the license application. But there was also some evidence of pressure from the United States. In June 2019, during his visit to Washington, D.C., then-Prime Minister Mamuka Bakhtadze met with U.S. Secretary of State Mike Pompeo, who directly discussed Anaklia in his public remarks: “I expressed the hope that Georgia will complete the implementation of the project. Its implementation will strengthen Georgia’s ties with free economies and will not allow Georgia to be under the economic influence of Russia or China. These imaginary friends are not driven by good intentions.”

After Pompeo’s statement, the Georgian government appeared to support the Anaklia project again. However, while the case against TBC bank was settled, the government continued to pursue Japaridze and Khazaradze. In June 2019, the pair were charged with money laundering over a series of loans between themselves, TBC, and two other companies, Samgori M and Samgori Trade. Although the U.S. Embassy issued a statement expressing concern regarding the charges and endorsing the Anaklia project, by August, Japaridze and Khazaradze’s assets were frozen. Shortly thereafter, one of the biggest investors in the Anaklia project, U.S.-

based Conti Group, officially pulled out. The Conti Group did not share the reasons for this decision. However, the owner of the company, Kurt Conti, is said to be Khazaradze’s friend and, according to an archived version of the Anaklia Development Corporation’s website, the pair attended Harvard Business School together.25

IN JANUARY 2020, THE GEORGIAN GOVERNMENT CANCELLED ITS CONTRACT WITH THE CONSORTIUM, AND ALL CONSTRUCTION STOPPED.26

In January 2020, the Georgian government cancelled its contract with the consortium, and all construction stopped. Just a couple of months later, the government re-issued a license for the construction of a deep-sea port in Poti.26 On January 22, 2020, four U.S. congressmen sent a letter to Georgian Prime Minister Giorgi Gakharia expressing their concerns over a lack of sufficient democratic reforms in Georgia, as well as “a sharp decline in foreign direct investments in Georgia as American and European companies have suffered harassment, causing many to reconsider their business ventures.” The Anaklia project was also mentioned in the letter, making it clear that the American policymakers have taken note of the case, and see its failure as an example of “perceived political targeting of the U.S.-backed Anaklia Development Consortium . . . which deterred or prevented investment from American companies,” adding that the situation “could deter future U.S. investment in Georgia.”27

On May 15, 2020, members of the Senate Foreign Relations Committee, including Senator Ted Cruz, sent a letter to Secretary of State Mike Pompeo and Treasury Secretary Steve Mnuchin requesting a briefing in response to concerns about governance issues in Georgia.28 According to the committee:

> These good governance issues have directly undermined the ability of American companies to operate in, and deepen our relationship with, Georgia.” In addition to specifically referencing Conti Group as being “pushed out” of the Anaklia consortium, the letter

28 “U.S. Senator for Texas Ted Cruz,” U.S. Senator for Texas Ted Cruz, U.S. Senator for Texas Ted Cruz, May 15, 2020, https://www.cruz.senate.gov/?p=press_release&id=511f&fbclid=IwAR2RQ-UVJaRXU1rEjU1QXy9sEIXy-Cobph2FT5127iP6tw8f1LxX1c1_i6q8.
also highlighted “targeted . . . regulations” and the “possible expropriation” of Texas-based Frontera Resources, the largest U.S. investor in Georgia’s upstream oil and gas sector. “These complications and controversies are deeply marked by geopolitical implications. The port construction project in Anaklia was aimed at mitigating Georgia’s reliance on Russian port infrastructure. Frontera’s work offered the prospect of improved Georgian energy independence.

Moreover, the loss of legitimate business could motivate an increase in more illicit business practices. Georgian businesses and the Georgian financial system played a role in circumventing American sanctions on Iran, going back at least as far as 2013, when American authorities became aware that three Iranian businessmen had taken control of a small bank in Tbilisi in order to move money out of Iran. Indeed, recent reports suggest that the port in Batumi has again emerged as a target for Iranian illicit oil activities. The country’s Western orientation coupled with its plentiful ports makes it an ideal target for the Iranians.

Bidzina Ivanishvili is also named in the senators’ letter: “We request a briefing on the degree to which: The current government of Georgia led by the Georgian Dream party is implicated in efforts to crowd out legitimate
American businesses, which have invested in Georgia’s economy and future. Any such activities are motivated by geopolitical considerations, including reported ties between Bidzina Ivanishvili, chairman of the Georgian Dream party, and the Russian government.”

In July 2020, the U.S. House of Representatives passed its State and Foreign Operations Funding bill for fiscal year 2021. From the bilateral economic and international security assistance funds approximately $132 million goes to Georgia. However, the bill includes conditions on 15% of those funds. Availability of those funds will depend on Georgia’s successful implementation of a number of reforms including: “effectively implementing electoral reform; respecting the independence of the judiciary, including from legislative or executive interference; effectively implementing the necessary policies to ensure accountability and transparency, including unfettered access to public information; protecting the rights of civil society, opposition political parties, and the independence of the media; and limiting the informal influence of oligarchs over functions of government and the application of laws and regulations.”

Aid conditionality is commonly used by the United States and other nations and organizations (World Bank, International Monetary Fund, European Bank for Reconstruction and Development, etc.) to ensure desired democratic reforms are implemented in the recipient countries. However, this tool has not been used for the U.S.’ Georgia policy in the recent past and could be seen as a slap on the wrist from Washington.

**ANOTHER OSTENSIBLE REASON FOR THE BREAKDOWN IN ANAKLIA’S DEVELOPMENT WAS A TECHNICAL ONE: WHETHER OR NOT THE GOVERNMENT WOULD SUPPORT THE PROJECT WITH A STATE GUARANTEE ON ITS LOANS.**

**Arbitration / Financing**

Another ostensible reason for the breakdown in Anaklia’s development was a technical one: whether or not the government would support the project with a state guarantee on its loans. Anaklia’s investors did agree to invest hundreds of millions of U.S. dollars in the project, but the principal part of the project’s funding was to come from international lenders, including the Asian Development Bank, the U.S.’ Overseas Private

Investment Corporation, and potentially even the European Bank for Reconstruction and Development, as well as a number of private sector banks and insurers.

In order to secure the financing for the Anaklia port, these lenders reportedly sought a state guarantee on the project from the government. That is not in itself surprising, given that Anaklia’s development would require the largest amount of international financing for any development project in Georgia to date. But the stage at which the issue came to the fore—in 2019, only after some work had already begun and after some official foreign lenders signaled their support—is noteworthy.

Whether or not Georgian Dream officials had implied they were willing to give such a guarantee—or whether such a guarantee was offered and withdrawn—are likely to be key elements of the arbitration suit that ADC launched in July 2020. What is clear is that the government’s tone on the matter shifted significantly after the aforementioned charges were brought against lead investors Khazaradze and Japaridze. The February 2016 decision to award the Anaklia tender to ADC was broadcast nationwide by then-Prime Minister Giorgi Kvirikashvili. At the time, the government also agreed to invest an initial $100 million itself, and hailed Anaklia as a “project of the century” for the country. By April 2018, it was clear this had


changed; the shift effectively announced in an interview given by Bidzina Ivanishvili, in which he chided its investors, implying they did not know what they were doing. Ivanishvili told his interlocutor:

My only interest is . . . for the port to be built . . . that would be great. But I have said this before—it is very difficult for this port to become profitable. . . . But I have always been skeptical towards this project, this is a difficult project for the private sector because it won’t be profitable for a long time. . . . I wish them luck.33

Ivanishvili’s statement was a clear political signal. His hesitance stood in contrast with then-Prime Minister Giorgi Kvirikashvili’s public backing. Two months later, Ivanishvili removed him as premier.34 Soon after, the government’s approach to Anaklia began to shift, in line with Ivanishvili’s comments.

By June 2019, Infrastructure and Regional Development Minister Maya Tskitishvili was warning that the government could not take on the “commercial risks” of the project.35 What exactly happened between the awarding of Anaklia in 2016 and the late 2018 launch of a criminal probe into TBC, and then subsequently against its lead developers Khazaradze and Japaridze, remains unanswered—but will be at the center of the arbitration.

Japaridze and Khazaradze insist the project’s collapse was due to opposition from the government, specifically from Ivanishvili. The fact that an arguably spurious probe was launched into them certainly on its face seems to make this argument credible. In light of the rumored role Anaklia played in the replacement of the Kvirikashvili government, their claims of political harassment and opposition from within the government cannot be entirely dismissed.

IN LIGHT OF THE RUMORED ROLE ANAKLIA PLAYED IN THE REPLACEMENT OF THE KVIRIKASHVILI GOVERNMENT, THEIR CLAIMS OF POLITICAL HARASSMENT AND OPPOSITION FROM WITHIN THE GOVERNMENT CANNOT BE ENTIRELY DISMISSED.

33 “If the private sector can’t do it, the government will want it – Ivanishvili on the port of Anaklia,” Netgazeti.ge, April 10, 2019, https://netgazeti.ge/news/355142/.
The launch of arbitration proceedings by ADC’s remaining partners in 2020 risks harming Georgia’s reputation and ability to attract foreign investment. If Tbilisi were to lose the case, ADC is seeking up to $1 billion as it claims the government’s abrogation of its commitments means they are entitled to lost earnings, not just the investment that they have put into the project. The Georgian Dream government—which ostensibly held off on the guarantee over the concern of its potential impact on the government’s finances—risks leaving the state with a sizable bill if the arbitration does not go in its favor, with no port to recoup those funds.

Nevertheless, Tbilisi’s position that it was unwilling to offer the guarantee because of debt management concerns also cannot be wholly dismissed. The cost of the project was more than Georgia’s public sector external debt. The government claims that it never promised a state guarantee, that ADC had no reason to expect one, and that it was justified in withdrawing the award after Conti and others pulled out.

Such cases are not typically settled in the public spotlight, but the fact that the major players in the case are essentially all running in the October 2020 elections means it is highly likely they will attempt to air their dirty laundry publicly—indeed, they have already

begun to do so, with Khazaradze claiming he has “documentation” showing that Ivanishvili was personally involved in efforts to derail the project.\textsuperscript{37}

As the arbitration proceeds, it is likely to put off any new investors at least until a resolution is achieved. If the government ultimately loses the case, then the outcome could pour cold water on Georgia’s ability to attract similar investment for some time. Further evidence of Ivanishvili’s continued role in public decision making—on matters both political and economic—could also deter future foreign investment.

\textbf{POLICY IMPLICATIONS}

There is still a need for a deep-sea port in Georgia, so the story is unlikely to end here. APM Terminals, part of the Danish giant A.P. Moeller-Maersk and the current operator of Georgia’s Poti port, was granted a first-stage land-use permit from the Georgian government. APM intends to expand its Poti facility into a “mega-port.” Unlike the Anaklia project, APM has kept its development plans rather low-key, dedicating three paragraphs on their website to the deep-sea port plans: “On completion, the fully built-out mega-port will have an annual cargo throughput capacity of 50 million tons and 2 million TEUs.

With a water depth of up to 16 meters, the port will be able to accommodate the largest vessels calling the Black Sea. An adjacent industrial and free trade zone complements the projected cargo throughput growth.\textsuperscript{38}

\textbf{THERE ARE MANY REASONS TO BELIEVE THAT THE POTI PORT PROJECT WILL NOT BE SUFFICIENT TO MEET GEORGIA’S NEEDS IF THE COUNTRY DECIDES TO SERIOUSLY PURSUE ITS DREAM OF BECOMING THE SINGAPORE OF EURASIA.}

There are many reasons to believe that the Poti port project will not be sufficient to meet Georgia’s needs if the country decides to seriously pursue its dream of becoming the Singapore of Eurasia. The port would be fully owned by APM Terminals, and its expansion plans would require no new investment obligations. This seriously limits the ways in which Georgia can benefit from such a project. The port’s location is said to

\begin{itemize}
\item \textsuperscript{38} “Our Terminal,” APM Terminals, https://www.apmterminals.com/en/poti/about/our-terminal.
\end{itemize}
be prohibitive when it comes to converting it into a deep-sea port. Poti is also known for its paralyzing weather conditions. It is reportedly closed nearly 100 days per calendar year, on average.  

ADC’s criticism of the project also echoes the above concerns: “The Georgian Government will not receive the full economic benefit from Poti—Poti Port would not be competitive, and the Government will not realize the full benefit of revenues. Because it has a monopolistic position, APM Terminals charges among the highest port fees in the Black Sea and wider region. Furthermore, Poti is privately owned and thus the only revenues the Government would enjoy would be taxes.”  

Ownership aside, Anaklia has taken on an important symbolic meaning, and clearly began to represent another step in the right direction in the eyes of Georgia’s Western allies. The politicization of the project based on quarrels among powerful domestic actors makes it clear that the Georgian government completely underestimated this symbolic meaning, especially from the perspective of Georgia’s staunch supporters in Washington. This miscalculation has, in turn, set U.S.-Georgia relations on a rocky path.

The Georgian government must understand that the benefits of successfully executing this project could be immense for the country; the potential economic gains come after its positive geopolitical and security implications.

Successive Georgian governments have seen membership in the North Atlantic Treaty Organization (NATO) as essentially the only deterrent from Russian aggression towards Georgia. This long-standing aspiration has played a key role in Georgia’s foreign policy making. However, the current global climate tells us that there is no NATO membership in Georgia’s immediate future. It’s time for Tbilisi to get creative about solving its security issues—there is still a lot Georgia can do to deepen its partnership with NATO and make itself indispensable to its Western partners in their efforts to contain Russia.

The balance of power on the Black Sea is very much in Russia’s favor at the moment. Now that Crimea is under de facto Russian control, Russia’s military exercises essentially shut down outside access to the entire Black Sea. Having recognized this, NATO has been working to increase its presence in the region. Anaklia would have made Georgia a more significant partner for joint NATO exercises on the Black Sea, but Georgia’s current shortcomings in the maritime space will only create opportunities for Russia, at both Georgia and NATO’s expense.

Overt politicization precipitated the downfall of the Anaklia project both in its current iteration and its previous one, Lazika. For most onlookers, the failure of such a strategically important project is frustrating and a source of much pessimism about Georgia’s ability to think more strategically about its economic and security priorities. Yet, it is the undeniable feasibility of this project that makes it hard to write off Georgia’s future as one permanently stuck in an unresolved conflict with Russia and thus engaged in a futile struggle to join NATO and the European Union.

The fate of the Anaklia project has implications not just for Tbilisi, but for the United States as well. Georgia’s Western aspirations are broadly shared across its political spectrum, yet the vacuum in U.S. leadership in recent years and the failure to develop a new model for deepening ties with Tbilisi in the Obama and Trump administrations has left this desire unrequited. The Trump administration has supported U.S. business interests in the country, most prominently pressuring Tbilisi into discarding an arbitral award in its favor.
over a contract with a Texas-based company in July 2020. The United States cannot claim to help Georgia develop an open economy while simultaneously using political leverage to secure unfair preferences for its firms, an action it often accuses Moscow of in the region.

It is highly unlikely Georgia’s NATO membership will be advanced in the foreseeable future, nor is the West likely to provide Tbilisi another form of security guarantee. So, the United States must be more open-minded about Georgia’s role as the “geopolitical fault line” between Europe and Asia. Georgia does not have the luxury to look only West or only East. As a result, Georgia may offer a unique opportunity for U.S.-Chinese engagement. U.S. investment in a deep-sea port on Georgia’s Black Sea coast is strongly opposed by many in Moscow, and the ultimate presence of such a development would not serve to deter Russian aggression without an associated military presence, which is unlikely to be forthcoming. Beijing has already expressed its interest in such a port as well, and a sizable investment from China would be far more likely to deter Russian aggression. It would also serve as a springboard to further align U.S.-Chinese interests across the Caucasus and Central Asia, where Beijing is investing heavily in expanding transportation infrastructure. A joint investment would secure a U.S. role in this leg of the Belt and Road Initiative, which crucially is largely circumnavigating Russia, rather than intersecting it.

The Foreign Policy Research Institute is dedicated to producing the highest quality scholarship and nonpartisan policy analysis focused on crucial foreign policy and national security challenges facing the United States. We educate those who make and influence policy, as well as the public at large, through the lens of history, geography, and culture.

Foreign Policy Research Institute

1528 Walnut Street, Suite 610
Philadelphia, PA 19102

215-732-3774   www.fpri.org