

# Threat of civil war hangs over Georgia

## Part Two

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*This is the concluding part of a two-part article on the growing tensions within Georgia. The first part was published on April 15.*

With the support of the Republican administration in Washington, Saakashvili is intent on wresting control of the lucrative Batumi oil terminal and port, one of the main shipping points for Caspian oil. Just days before the parliamentary elections in late March, Georgia was brought to the verge of armed conflict when Abashidze refused to allow Saakashvili and his entourage to campaign for votes in the Black Sea region.

Only the intervention of Washington and Moscow prevented armed conflict and a possible civil war breaking out. But it is difficult to see a peaceful long-term solution to the stand off. Abashidze knows that Saakashvili's mission to reintegrate Georgia's renegade regions spells the end of his fiefdom. He either resists Tbilisi or is assassinated or thrown in jail.

Abashidze has repeatedly rigged the vote in Adjara to the benefit of his Revival Party. Previous president Eduard Shevardnadze was too militarily weak to force the region to toe the national line. But while Zurab Chiaberashvili, head of the central election commission, reported serious violations in the Adjarian electoral process, Saakashvili's National Movement is reported to have swept the board in the breakaway republic too.

Saakashvili is Washington's man and is economically orientated towards the European Union and militarily towards NATO. Abashidze, a former Stalinist bureaucrat, remains in hock to Moscow and to a group of aggressive army generals who resent America's presence in a region they consider to be their back yard.

Speaking to the BBC Alexander Rondeli, President of the Georgian Foundation for Strategic and International Studies, stated, "There may be clashes in Georgia, there may be bloodshed. I think that Mr Abashidze will try to preserve his power as best he can. But I think his train has left already and he doesn't understand that."

Saakashvili responded to his Adjarian lockout by ordering

the Georgian navy to blockade Batumi. Unfortunately by strangling Abashidze's money tree, the Georgian president also threatened Georgia's economic health and that of the southern Caucasus. Batumi is Georgia's largest seaport and is also crucial to landlocked Armenia to the south, whose borders with both Turkey and Azerbaijan have been closed since 1991.

Days into the standoff, with both sides under considerable economic and diplomatic pressure to start discussions, Saakashvili and Abashidze met in Batumi. Snatches of conversation between the two protagonists offer a glimpse into the affairs of Georgia and how its elite conducts business. The reason Washington is so keen on Mikhail Saakashvili is because he is very pro-American, a dedicated free marketeer and a bully to boot. Abashidze, according to reports, was reduced to pleading for his miserable life. "Just swear you won't have me killed," he is reported to have said to Saakashvili.

Abashidze is not so scared that he is ready to accept Saakashvili's ascent as inevitable. On March 31 he declared that the semi-autonomous republic would hold a referendum to "help determine who the population of Adjara actually supported." Abashidze's Revival Union failed to exceed the seven percent threshold necessary for gaining seats in the Georgian parliament. But he accused the Tbilisi administration of manipulating the election results.

In Tbilisi Justice Minister Giori Pauashvili responded by telling reporters that the country's constitution does not accept the holding of a referendum in just one region and any conducted would be illegal.

Until the Baku-Tbilisi-Ceyhan oil pipeline is finished, oil from Azerbaijan will continue to be transported by train across the Caucasus to Batumi's Black Sea port and then ferried across to western markets. The Rothschilds financed the building of the railroad from the eastern Caspian coast of Azerbaijan to Batumi in 1883. This made Batumi one of the very first oil ports in history and created serious competition for John D. Rockefeller's Standard Oil that until then had enjoyed a virtual monopoly on the world oil industry.

Such was the importance of Batumi that the then British foreign secretary, the imperialist Lord Balfour, was moved to remark in 1918 that “the only thing which interests me in the Caucasus is the railway line which delivers oil from Baku to Batumi. The natives can cut each other to pieces for all I care.”

Jan Bonde Nielsen, a Danish-British businessman, helped bankroll the de-facto independence of Adjara soon after Georgia’s independence by his funding of the Black Sea oil terminal in Batumi.

Under Abashidze’s tutelage, Adjara has attracted a mixed bag of investors including the descendants of car manufacturer George von Opel, the American government, Mayor of Moscow Yury Luzhkov, one of Hilary Clinton’s brothers and a host of nefarious Russian businessmen.

Nielsen invested almost \$62 million in the rebuilding of the port in 1999, facilitating a quadrupling of oil transit rates after acquiring his majority stake. His plans to invest a further \$9 million this year have been put on hold whilst political events remain turbulent.

The importance of the refurbished terminal to the Adjarian and Georgian economy is revealed by figures from Georgian International Oil Co. Their figures show that Batumi transits 12 million tons of oil through its port, compared to a total of seven million tons through the rest of the Georgia. The terminal assisted in stabilising Adjara’s economy to a degree that is the envy of the rest of Georgia.

Adjara’s strategic commercial location is still of world importance today. For corporations who take Washington’s advice not to transport oil through Russia or Iran, Batumi is one of only a few transit points capable of handling high-volume oil exports to Western markets. Despite the imminent completion of the Baku-Tbilisi-Ceyhan (B-T-C) pipeline, investors like Leibundgut, whose Swiss based Mctrustco manages 6.6 percent of the Batumi oil terminal, believe that rising oil production across the Caspian states will allow the terminal to keep working at close to capacity.

While the US government is the major force behind the B-T-C pipeline, American capital also has a stake in Adjara. The US government-controlled Overseas Private Investment Corp, operating through Great Circle Capital Limited, holds an 11 percent stake in Naftatrans, which owns the Batumi oil terminal. Jan Bonde Nielsen owns at least 80 percent of Naftatrans. Abashidze has on occasion been moved to comment forlornly how, “The Americans have investments here, ‘but they never help me politically.”

Abashidze understands that nothing will occur in Georgia without Saakashvili having first consulted Washington. The Adjarian despot said as much after recently meeting US ambassador and Georgian kingmaker, Richard Miles.

Washington and Moscow are effectively waging a war by

proxy in Georgia. On the one hand Saakashvili is under immense pressure to rein in Adjara and ultimately reintegrate, by force if needs be, the breakaway regions of South Ossetia and Abkhazia in order to preserve the financial viability of the B-T-C oil pipeline. On the other hand Moscow is very wary indeed not only of the detrimental effects of the opening of the pipeline upon Russia’s economy, but more fundamentally of further incursions by the American military into former parts of the Soviet Union and Eurasia in general.

Whilst Washington controls the government in Tbilisi, Russia maintains a military garrison in Batumi and need not consult Tbilisi concerning shifting men and military equipment through the province. Moscow also uses Batumi to supply other Russian bases in Armenia and the rest of Georgia. The Russian government recently supplied four T-72 tanks to Abashidze.

Washington’s investment in the B-T-C oil pipeline, which will run through Georgian territory, now faces the added problem of OPEC pushing for higher oil prices. The Republican administration is very keen to access non-OPEC sources of oil like those in the Caspian region in an attempt to lever down prices. Indeed the price of petrol at American pumps is threatening to become an issue for the Bush re-election campaign.

Petrol prices have risen to their highest since the 1980s. A crucial factor in any decision to raise oil production is that oil prices are denominated in American dollars, and the falling value of the dollar across international currency markets has reduced the real value of oil revenues to OPEC members. The latest production cut supported by Saudi Arabia, the world biggest producer, according to experts threatens to push prices for crude oil above \$40 a barrel.



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