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GEORGIAN DILEMMAS

BETWEEN A STRONG STATE AND DEMOCRACY

Marek Matusiak

POINT OF VIEW

NUMBER 29
WARSAW
JULY 2012

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OSW | CENTRE FOR EASTERN STUDIES
OŚRODEK STUDIÓW WSCHODNICH im. **Marka Karpia**

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Content editors

Adam Eberhardt, Krzysztof Strachota

Editor

Anna Łabuszewska

Co-operation

Katarzyna Kazimierska

Translation

OSW

Co-operation

Jim Todd

Graphic design

PARA-BUCH

DTP: GroupMedia

Photograph on cover used by kind permission of the governing party
in Georgia, the United National Movement

PUBLISHER

Ośrodek Studiów Wschodnich im. Marka Karpia

Centre for Eastern Studies

ul. Koszykowa 6a, Warsaw, Poland

Phone + 48 /22/ 525 80 00

Fax: + 48 /22/ 525 80 40

osw.waw.pl

ISBN 978-83-62936-12-0

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EXECUTIVE SUMMARY

- Since the 2003 ‘Rose Revolution’, Georgia has been the most spectacular example of a successful export of the Western political and economic model to a post-Soviet country other than the Baltic States; an example of a country that has managed to develop strong relations with the West, as well as efficient and modern state structures which did not collapse under the burden of the lost war with Russia.
- The strength of the Georgian state lies in its young, pro-Western and determined elite which, thanks to the substantial aid provided by the USA and the EU, has managed to reform the state thoroughly within a short timeframe. At the same time, however, the merging of the political elite with the state, and the personalisation of state institutions, have created a series of problems, undermining democracy, weakening state institutions and widening the distance between Georgia and the West. Today, Georgia’s weaknesses mainly manifest themselves through the defects of its democracy. However, in the future they could also undermine the country’s relations with the West, its stability, and the social and economic bases of the Georgian state.
- Georgia will hold parliamentary elections in October of 2012 and presidential elections in 2013. These two votes will come as a multidimensional test for the state that was built over the last decade, especially its stability, the condition of the ruling elite and its ability to reconcile the paradigms of a strong state and democracy, as well as the political maturity of the Georgian public.
- Reforming the current economic model will be an additional challenge in the coming years. After the ‘Rose Revolution’, the Georgian economy underwent thorough reforms aimed at liberalisation and deregulation, thanks to which Georgia gained

dynamic economic growth and international recognition as one of the world's top economic reformers. However, structural economic and social problems such as poverty, unemployment and the breakdown of agriculture remained unsolved. In addition, Georgia is heavily dependent on foreign assistance. It will be a daunting task for the ruling elite to develop an economic model that will allow sustainable development without relying on foreign aid.

- Georgia is facing its political and economic challenges in a complicated international situation: it has to maintain close relations with the EU and the USA, and is also facing threats from an unstable regional environment and Russia's policy, as well as the global economic crisis. Nevertheless, the outcomes of its internal processes, including the dilemmas related to the upcoming electoral tests, depend primarily on the Georgian ruling elite and public.

INTRODUCTION

With the rise to power of President Mikheil Saakashvili and his circle in the aftermath of the 2003 'Rose Revolution'¹ Georgia entered a path of dynamic reforms which were unprecedented in the CIS; these were aimed in the internal dimension at creating an efficient and modern state, and in the external dimension at anchoring the country in European and Euro-Atlantic political and security structures, with a view to permanently breaking away from the Russian sphere of influence.

The wide range of successful internal and foreign policy developments which culminated in the promise of a future NATO membership extended to Georgia at the Bucharest summit in April 2008 was first undermined by the internal political crisis in the autumn of 2007 (the suppression of mass anti-government protests), which adversely affected Georgia's image as the 'beacon of liberty' among the post-Soviet states; and even more importantly, by the war with Russia in August 2008.

The war opened a new chapter in Georgia's recent history. Moscow's recognition of Abkhazia and South Ossetia's independence and the deployment of significant military forces in their territories, combined with the development of military infrastructures in the area, has indefinitely postponed the prospect of Georgia restoring its territorial integrity.

In the international dimension, the war demonstrated to the West that Russia was determined to defend its interests in the CIS area.

¹ The mass public protests against the rigged parliamentary election of 2 November 2003, and more broadly against the corruption and inefficiency of the state and Georgia's economic breakdown, which led President Eduard Shevardnadze to step down on 23 November 2003. In the aftermath of the 'Rose Revolution', a broad, pro-Western coalition of opposition forces took over power, led by Mikheil Saakashvili, Zurab Zhvania and Nino Burjanadze. On 4 January 2004, Mikheil Saakashvili was elected as the new president of Georgia, winning 96% of the votes.

It also undermined the credibility of Georgia's political leadership which – in the more forgiving variant – was accused of an imprudence that allowed Georgia to be drawn into a Russian provocation, and – in the less friendly variant – was deemed responsible for the outbreak of the armed conflict. These two factors clearly diminished the Western states' appetite² for significant political and military involvement in Georgia, isolated Tbilisi internationally and, apparently, undid Georgia's chances of joining NATO for many years to come. The war also triggered a dramatic decline in foreign investments which, combined with the onset of the global crisis, hit the Georgian economy painfully, and its performance has still not returned to pre-war levels. At the same time, however, the conflict with Russia demonstrated the resilience of the young state, which did not collapse in the face of military defeat, and the strong position of Mikheil Saakashvili himself, who held on to office and even reinforced his popularity, contrary to the expectations which Russia had openly expressed.

In the light of the crisis of Georgia's big political projects (to restore the country's territorial integrity and integrate with NATO, which had been guiding the leadership's internal and foreign policy), and due to the relatively low likelihood of a new conflict with Russia³, the need for a new wave of internal reforms has become

² This change in attitude towards Georgia was the most evident in the case of the patron of Georgia's reforms, the United States. Between 2004 and 2008, President George W. Bush had met President Mikheil Saakashvili five times: the US president visited Tbilisi on one occasion (May 2005), and the Georgian president met the US leader at the White House three times. In the period 2009–2012, after the war and the change of administration in the USA, President Barack Obama met Saakashvili three times, but only one of those meetings, on 31 January 2012, was an official visit by the Georgian president to the White House (the remaining two encounters were behind-the-scenes meetings on the occasion of the NATO summit in Lisbon in October 2010, and the funeral of Richard Holbrooke in Washington in January 2011).

³ The likelihood of a new war seems low because of such factors as the presence of the EUMM monitoring mission in the conflict regions, Tbilisi's cautious policy towards the separatist regions, and the coming winter Olympics in Sochi in 2014. However, it is difficult to estimate how the situation concerning Abkhazia and South Ossetia will be influenced by the dynamics

evident. This concerns reforms in areas which have hitherto received little attention (from both the government and large sections of the public) *inter alia* because of the sheer scale of the challenges related to the primary objective of ensuring state security and thoroughly rebuilding the state institutions, the neglect of which has for many years exposed the Saakashvili camp to criticism. In particular, those areas include democratising the political system to ensure that all political groups will vie for voter support on a level playing field; that the state is founded on the rule of law, its institutions are apolitical, and its public life (including that of the business and media) transparent. The social and economic situation also calls for decisive reforms. Despite its good macro-economic performance since the 'Rose Revolution', Georgia's economy has lagged behind on modernisation⁴: it is characterised by an archaic employment structure, high unemployment, an inefficient agricultural sector (which in the Soviet period used to be a leading sector of the economy), a heavy dependence on imports and, most importantly, foreign aid and investments.

In this situation, the upcoming elections, to parliament in October 2012 (the first general elections since the war) and the presidency in 2013, and the questions about the future of President Saakashvili, the politician who has in fact built the new Georgia and is personally responsible for both its successes and its failures and shortcomings, will be crucial to the country's future. The elections will be a multidimensional test of the stability and maturity of the Georgian state and political system, in which the government's real commitment to democratic ideals, public support for Georgia's current political course, the efficiency and impartiality

of the internal situation in Russia. Also unknown are the potential consequences of possible violent events in Georgia's international environment, such as the possible worsening of the Iran situation or a rise in Azeri-Armenia tensions over Nagorno-Karabakh.

⁴ Georgia's main export commodities include ferric alloys (16.7%), re-exported cars (14.4%) and scrap metal (6.9%). Cf. Georgian National Study, April 26 - May 4, 2011.

of state institutions and mechanisms, the opposition's readiness to participate in democratic processes, and the political maturity of the elite and the public, will all be put to the test.

This paper, which appears in the run-up to all those choices, aims to map out the political and social reality in Georgia today, as well as possible scenarios for future developments. It deliberately leaves out, or merely sketches, external factors – although these are undoubtedly crucial to the country's future – such as relations with Russia, the USA and the EU, regional stability, the global economic situation, *et al.*

I. GEORGIA AFTER THE ‘ROSE REVOLUTION’

In early 2004, the camp of the ‘Rose Revolution’ took over what was effectively a failed state: riddled with corruption, unable to perform its basic functions, and having no control over some parts of its territory (Abkhazia, South Ossetia) or only nominal control of others (Adjara, Javakhetia). The Georgian people’s attitude towards their state during the rule of Eduard Shevardnadze was characterised by distrust and indifference.

The ‘Rose Revolution’ awakened their hopes for a radical improvement of the situation. This translated into unprecedented popular support for the revolutionary camp and especially its leader Mikheil Saakashvili, who won more than 96% of the votes in the presidential election in January 2004. This strong democratic mandate and the extensive strengthening of presidential powers under the constitution gave Saakashvili and his aides *de facto* free rein to implement reforms. Radical change was made possible by support from the West, especially the United States, which became not only the political patron of Georgia’s transformation, but also the main source of the new leadership’s inspiration in defining the directions and content of their reforms. Both the USA and the EU provided the new Georgian leadership not only with strong political backing (intensified dialogue with NATO, including Georgia in the European Neighbourhood Policy), but also considerable material assistance (multi-million grants and low-interest loans)⁵, as well as consultancy and training (including a thorough reform of the army under the patronage of the United States).

⁵ In the period 2004–2009, Georgia received around US\$3.137 billion in Official Development Assistance (World Bank data). These figures do not include all categories of assistance, and they exclude a large proportion of the post-war assistance package worth US\$4.5 billion.

1. State building

Building a modern, sovereign state was the top priority for the new leadership, a task which took up most of the new rulers' energy and material resources. To this end, a thorough reorganisation of the entire state apparatus at central and local levels was launched. Characteristically, the changes were focused on the consolidation of the state and issues of security and public order, which manifested itself in the two key reforms: the Interior Ministry and the army.

Despite the considerable social costs, stemming mainly from job cuts and reshuffles in the public sector, the reforms were successful in many respects. The most frequently cited achievements of the Saakashvili camp include restoring control over Adjara, ensuring public order, almost completely eliminating corruption from everyday life⁶, upgrading the infrastructure, ensuring electricity and gas supplies, and punctual payments of salaries and benefits.

The state apparatus of Eduard Shevardnadze's Georgia, and the state institutions built by the new leadership over just a couple of years with considerable training and material assistance from the West, were worlds apart in terms of effectiveness, transparency, the competence of civil servants, and the material and technical base. The quality of services for the people also increased radically as corruption was eliminated, red tape cut and the state offices computerised.

The reforms boosted the people's respect for the state and their confidence in its institutions. The police and the army are currently the most trusted institutions in Georgia after the Georgian Orthodox Church⁷. The state is also an attractive employer, whose

⁶ Georgia moved up the Transparency International ranking from 133rd place (2004) to 64th (2011), ahead of such EU member states as Slovakia (66th), Italy (69th), Romania (75th), Greece (80th) and Bulgaria (86th).

⁷ Cf. Georgian National Study, April 26 - May 4, 2011, International Republican Institute, Baltic Surveys Ltd. / The Gallup Organization The Institute of

appeal rests not only on good salaries and the prospects for training abroad and quick promotions (at 44, the president is one of the oldest state officials), but also the prestige of the civil service and the strong ethos of a group of people who are building modern Georgian statehood from scratch. In this way, public administration manages to attract a large proportion of the best educated and most dynamic professionals in Georgia.

2. Economic reforms

The centralisation of power and consolidation of the state after 2003 coincided with opposite progress in certain spheres: a tendency towards liberalisation, deregulation and even the complete withdrawal of the state from certain domains. The new leadership adopted a strictly liberal economic policy aimed at creating an economic climate that would be as investment-friendly as possible⁸, and avoiding practices that could 'distort market mechanisms'⁹. In practice, this meant that the state's role in the economy was reduced considerably, red tape was cut, all taxes were lowered and simplified, custom duties were almost completely abolished, most supervisory and regulatory bodies were dismantled, and the labour law was radically liberalised¹⁰. The Georgian

Polling And Marketing, p. 54. <http://www.iri.org/sites/default/files/2011%20June%2028%20Survey%20of%20Georgian%20Public%20Opinion,%20April%2026-May%204,%202011%281%29.pdf> (last accessed 14.11.2011).

- ⁸ In the World Bank's Doing Business report, Georgia ranked 12th in 2011 in terms of ease of doing business (up from 112th in 2005). In the same ranking, Poland was 70th and Russia 123rd. Cf. <http://www.doingbusiness.org/~media/FPKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf> (last accessed 16 November 2011).
- ⁹ For example, the policy statement by PM Lado Gurggenidze of October 2008 on the Georgian economic model <http://www.youtube.com/watch?v=-BM-SjuRckqw> (last accessed 16 November 2011).
- ¹⁰ The International Labour Organisation (ILO) has criticised the Georgian labour laws for years. In its 2010 report, the ILO expressed concern about Georgia's failure to implement conventions on the right to organise and the right to collective bargaining, among other provisions.

leadership also stopped pursuing any sectoral economic policies. The state also withdrew from the welfare sphere, and undertook a large-scale privatisation of state property.

Table 1. Georgia's macroeconomic indexes in 2003 – 2010

	2003	2004	2005	2006	2007	2008	2009	2010
GDP (US\$ billion)	3.99	5.12	6.41	7.74	10.17	12.79	10.76	11.67
GDP per capita PPP (US\$ thousand)	2.9	3.2	3.6	4	4.7	4.9	4.8	5.1
GDP growth rate	11.1%	5.9%	9.6%	9.4%	12.3%	2.3%	-3.8%	6.4%
Foreign direct investments (US\$billion)	0.33	0.49	0.45	1.17	1.75 (Geo- stat: 2.01)	1.56	0.65	0.81
Tax revenue (GEL billion)	1	1.53	1.98	2.64	3.67	4.72	4.39	4.87
Unemployment	-	12.5%	13.8%	13.6%	13.3%	16.5%	16.9%	16.3%

Source: WB, IMF, Geostat

Thanks to this policy, combined with an effective fight against corruption and the grey economy, Georgia experienced dynamic economic growth, very good macroeconomic performance and recognition abroad for several years after the revolution. The GDP and foreign direct investments were growing rapidly (see Table). However, the war with Russia and the financial crisis hit the Georgian economy badly: foreign investments dropped dramatically, the economy contracted by nearly 4% in 2009, and unemployment increased. A post-war package of international aid worth US\$4.5 billion allowed the country to avoid a deeper slump and restore growth, albeit at a much slower rate than before the

war. A number of structural social and economic problems have also remained unsolved (see below).

3. Education reforms

The reconstruction of the state after 2003 was accompanied by a major effort to promote social modernisation, with special focus on education. Education spending increased substantially after the ‘Rose Revolution’¹¹, and an education reform programme was launched with a view to bringing the organisation of the education system closer to Western standards (including through a gradual implementation of the Bologna system), increasing transparency (unified central entrance exams for universities, exchange of executive cadres in all universities) and improving the infrastructural base. Much emphasis was placed on promoting the knowledge of English among pupils and students, at the expense of the teaching of Russian¹². The capital city’s Ilia University, which was established according to ‘Anglo-Saxon’ principles of liberal education, is currently the best university in the entire region, and a symbol of those changes.

Education has been one of the most important areas for experimentation and unconventional projects for the Georgian government. In 2010, a programme called Teach and Learn With Georgia was launched¹³, with the objective of inviting ten thousand foreign

¹¹ From 2.1% of the GDP in 2003 to 3.2% of the GDP in 2009, while the GDP itself was growing rapidly. For comparison, the EU-27 countries spent around 5% on average of their GDP on education in 2008.

¹² As a measure of the effectiveness of the government’s efforts to promote English, during the 2010 high-school leaving exams 70% of pupils chose English as the foreign language, compared to 20% who chose Russian. Cf. Interview with the Georgian minister for education, Dmitry Shashkin, on Ekho Moskvyy radio on 9 July 2011, <http://www.echo.msk.ru/programs/beseda/790284-echo/> (last accessed 16.11.2011).

¹³ Cf. <http://tlg.gov.ge/>. According to the Ministry of Education, around 1500 teachers are expected to arrive under the TLG programme during the school year 2011–2012.

teachers of English to Georgia by 2014, who would teach the language in schools all over the country for lodgings and pocket money. In another initiative, the government decided to give mobile educational computers to all first-graders (60,000 such computers are to be distributed to pupils throughout Georgia during the school year 2011-12)¹⁴.

These two programmes are characteristic of how the new leadership and the president personally prefer to operate. On the one hand, they demonstrate the new leaders' energy and creativity in modernising Georgia, and on the other the 'revolutionary' faith, typical of the Saakashvili camp, that the country's structural problems and its civilisational backwardness can quickly be overcome thanks to determination and good ideas.

The reforms implemented by the Saakashvili camp have created a unique, statist-liberal state model in Georgia, which is unlike the models found in the other former Soviet republic or those in the European Union. In a situation where the post-Soviet society was passive, the private sector underdeveloped and the civil society institutions weak, the new Georgian state – led by a group of people with a clear sense of direction and considerable foreign assistance – has become the most important vehicle for modernising the country, in both material and social dimensions.

Harassment from Moscow put the resilience of the 'Georgian experiment' to a test in the years that followed the 'Rose Revolution'. Georgia has largely managed to end its dependence on natural gas and electricity supplies from Russia¹⁵, which the latter had

¹⁴ The computers were assembled in Georgia, at a newly-opened factory built in co-operation with Intel. In the future, the factory is expected to assemble up to one million computers a year for export. Cf. <http://www.mes.gov.ge/content.php?id=2543&lang=eng> (last accessed 16 November 2011).

¹⁵ In 2005, Georgia imported 100% of its gas from Russia; currently it imports 80% from Azerbaijan and 19% from Russia (partly as payment of transit charges for gas sent by Russia to Armenia). Georgia also used to import electricity from Russia, but currently it exports electricity to all four neigh-

previously been used as instruments of political pressure. Despite significant losses, Georgia also survived the Russian embargo on its exports of wine and mineral water¹⁶. The final test came with the war of August 2008, in which Georgia was defeated not only militarily, but also politically, and consequently the fundamental assumptions of Tbilisi's post-revolutionary policy were called into question. The war considerably reduced Georgia's chances of reintegrating Abkhazia and South Ossetia, and of closer integration with NATO; exposed the limitations of the alliance with the United States, leading to a loosening of mutual ties (in which the change of administration in the US was also a factor); undermined Mikheil Saakashvili's reliability in the eyes of his Western partners; and finally, dented the prestige of the army, the reconstruction of which had been one of the symbols of the post-2003 reforms. Yet in spite of all this, Georgia neither collapsed nor went into a political crisis. As one author and critic of the government has admitted, in the aftermath of the war "Georgia has lost some territory and gained some refugees. Other than that, nothing of significance has changed"¹⁷.

bouring countries. Source: Georgian Economy Overview, April 2011.

¹⁶ In 2005, Georgian wine exports were worth US\$81.3 million. In 2011, the value of exports fell to US\$54.1 million even though the quality of wine had improved and Georgia had diversified its export markets. Source: Geostat.

¹⁷ "Czekając na mesjasza", interview with Zaza Burchuladze, *Rzeczpospolita*, 9 September 2011. <http://www.rp.pl/artykul/714696.html> (last accessed 19 November 2011).

II. THE POLITICAL SYSTEM

1. The ruling group

The ‘Rose Revolution’ opened up a new chapter in Georgia’s history, and launched a wave of profound changes in nearly all areas of social life. The group of reformers brought to power by the revolution, especially its leader and symbol, President Mikheil Saakashvili, have had a crucial say in determining the shape and content of those changes for over eight years. Since he took office in January 2004, Saakashvili has had a decisive influence on the formation of the the state apparatus, the political system, the business environment, the media landscape, and more. As the main architect of and the executive force behind the reforms, the president has dominated public life in Georgia, both in the personal dimension (most public institutions and the media, as well as large sections of the economy and business are staffed with the president’s current or former aides) and at the level of ideas (setting the agenda, defining the directions of development). As a result, full power in Georgia, formal and informal, has been concentrated in the hands of President Saakashvili and a narrow circle of his closest aides, which has remained relatively stable despite a number of spectacular defections. Despite the long duration of his tenure, the difficult economic situation, the successive internal crises (the opposition protests of 2007, 2009 and 2011) and, most importantly, the lost war with Russia, President Saakashvili still holds a strong popular mandate. According to public opinion polls commissioned by the National Democratic Institute and published in October 2011, the head of state enjoys an approval rate of 64%¹⁸.

¹⁸ Cf. <http://pik.tv/ru/news/story/21405-reyting-ndi-partiy-gruzii> (last accessed 19 October 2011). The poll was most probably conducted before Bidzina Ivanishvili declared that he was starting his political activity (see below).

This predominance of the presidential camp over all aspects of public life in Georgia has led to the development of an arbitrary model of state management. Key decisions are taken by the president's inner circle, often without involving the formal structures and mechanisms of the state (and nearly always without consulting the public), and with visible disregard for the opposition, which the ruling group perceives as either incompetent or collaborating with Russia. With the exception of a handful of ministers, the prime minister and the government in fact stay on the margins of the decision-making process¹⁹. Likewise the parliament, dominated by the president's United National Movement, has no significant say, and its votes and debates only serve to formally endorse decisions that have already been taken.

2. Governance practice *versus* democratic standards

The president and the political camp of his supporters came to power pledging to repair the state, restore its territorial integrity and democratise the political system. Despite the reforms implemented since 2004 to expand democratic freedoms, the former two objectives have clearly been the priority for the new leadership since the start²⁰. The weakness of the system of checks and balances (the opposition, independent media, civil society), the focus on state building, stability and security, and consequently the considerable centralisation of power, have all led firstly to a slowdown of political reform, and then to the rise of phenomena which clearly depart from the standards of a democratic state and the rule of law.

¹⁹ Between the 'Rose Revolution' and the beginning of 2012, Georgia had five prime ministers, six foreign ministers, six finance ministers and seven defence ministers.

²⁰ Those aspirations found their symbolic expression in Mikheil Saakashvili's oath at the tomb of king David the Builder, whose reign initiated the period of the Georgian state's greatest power between the 11th and the 13th centuries. In the oath, taken on the eve of the inauguration of Saakashvili's first term as president, the new head of state promised to build a strong and united Georgia and restore its territorial integrity.

The most important of those phenomena include:

a) No clear separation between the ruling group and the state apparatus

Since 2004, President Saakashvili's camp has had a free rein in deciding how the state apparatus should be organised, and who should be appointed to posts at all levels of the administration. Many institutions were built from scratch after the 'Rose Revolution', and are inextricably connected with the people who were in charge of their reform. Moreover, many civil servants are also members of the ruling party. This blurs the boundaries between political structures and the state, creates the risk of the state being appropriated by one political group, and leaves the state prone to exploitation for political ends. During the January 2008 presidential elections, the scale of irregularities (consisting in active use of the state apparatus during the campaign and the voting itself) was such that it led to criticism from international institutions and allegations of electoral fraud from the opposition (whose members accused the president of having added several percent of votes to his showing in order to avoid a second round of voting). The local elections in May 2010 generally received positive assessments from international observers, although numerous irregularities were also reported during that ballot. According to a report by the Georgian branch of Transparency International, large numbers of public officials, who were formally on leave at that time, were involved in the campaign and used their offices, office phones and cars for campaign purposes.²¹

²¹ Cf. Transparency International Georgia. *The Use of Administrative Resources for Election Campaign 2010. Local Self-Government Elections Final Report*. http://transparency.ge/sites/default/files/post_attachments/Final%20Report%20on%20AAR_ENG_o.pdf (last accessed 13 October 2011).

b) Informal government sway over the media

Freedom of speech is assured in Georgia: there are independent newspapers, radio stations and online media. However, as in the other former Soviet countries, television remains the main source of information for the Georgian public. The private television stations Rustavi 2 and Imedi, the only TV channels with national reach apart from the public TV Channel 1, are the most popular, and they take a clearly pro-government line²². Even though both Rustavi 2 and Imedi are formally independent of the state, in practice the ownership of both televisions is unclear (Rustavi 2 is owned by two companies registered in the Virgin Islands and the Marshall Islands). This, combined with their clearly pro-government character, has led to speculation that these channels are covertly controlled by the ruling camp (Imedi's CEO Giorgi Arveladze has formerly served as the minister for economy and has worked as a presidential aide)²³. Critics of the ruling group are allowed very limited access to those media outlets.

c) 'Elite' corruption

One of the greatest achievements of the 'Rose Revolution' has been to eradicate corruption almost completely from the everyday lives of citizens. In May 2011, 97% of respondents replied 'no' to the question "Did you have to pay a bribe to obtain an administrative decision or service during the last 12 months?"²⁴. At the

²² In an opinion poll carried out in April 2011, the news services of the different television stations were deemed clearly pro-government by 53% (Rustavi 2), 43% (Imedi) and 48% (Channel 1) of respondents respectively. Cf. The Caucasus Research Resource Centers, 'Georgian Model as seen by Georgians', May 2011.

²³ Transparency International Georgia, 'Television in Georgia - Ownership, Control and Regulation', 20 November 2009; <http://transparency.ge/sites/default/files/Media%20Ownership%20November%202009%20Eng.pdf> (last accessed 20 November 2011).

²⁴ Cf. Georgian National Study, 26 April-4 May 2011, International Republican Institute, Baltic Surveys Ltd. / The Gallup Organization, The Institute of Polling And Marketing, p. 9.

same time, however, there is much speculation about corrupt practices within the power elite. Such practices allegedly include close links between the ruling group and big business²⁵, as well as undisclosed control by members of the ruling elite of important Georgian enterprises. The opaque ownership structures of many important enterprises in Georgia, which are often owned by companies registered in tax heavens, favour such speculation. According to a member of the Georgian branch of Transparency International, quoted in a report by the Carnegie Endowment, “Once you get above a certain level, you always seem to end up in Cyprus or a P.O. box in the Bahamas”²⁶.

d) Lack of a fully independent judiciary

Even though a number of regulatory changes have been enacted to buttress the independence of the judiciary (judges are now nominated for life, attempts to pressure the jury are penalised, and judges’ salaries have increased several-fold), the independence of judges in Georgia remains problematic. Large sections of the public (43% of citizens, according to a May 2011 poll²⁷) perceive the courts as more or less ‘politically available’. On the one hand, this perception stems from the existence of instruments with which the government is able to discipline judges (after their nomination, judges have to serve a three-year probation period, and may be permanently moved from their current post to any court in Georgia, without being consulted about it and without having to give consent²⁸); and on the other, from

²⁵ Cf. for example ‘Political Party. Finance Report’, Transparency International – Georgia, Tbilisi 2011. http://transparency.ge/sites/default/files/post_attachments/TI-G-PartyFinance-ENG.pdf (last accessed 20 November 2011).

²⁶ Quoted after: Thomas de Waal, Georgia’s choices. Charting a future in uncertain times, Carnegie Endowment for International Peace 2011. http://carnegieendowment.org/files/georgias_choices.pdf (last accessed 20.11.2011).

²⁷ Cf. The Caucasus Research Resource Centers, ‘Georgian Model as seen by Georgians’, May 2011.

²⁸ Cf. “Justice in Georgia”, Georgia Young Lawyers’ Association, Tbilisi 2010.

the judges' "tendency to guess the government's wishes"²⁹, especially in cases with a political context.

e) Excessive role of the security structures

The new security structures established after the 'Rose Revolution' have from the beginning been among the most effective state bodies, and have been the most devoted to the cause of rebuilding Georgia. At the same time, they have always provided direct backing to the ruling camp, and as a result of the national interest being conflated with the interest of the ruling group, they have also been used for political ends. The role of the Interior Ministry's structures in taking control over the opposition TV channel Imedi in the autumn of 2007 may serve as an example.

Another problem concerns the lack of democratic oversight over the activities of the security structures, and the lack of political responsibility for this. In this context, the January 2006 murder of a 28-year-old banker Sandro Girgvliani by off-duty Interior Ministry officers, in which, according to speculation, top Ministry officials may also have been implicated, is a symbolic case. The European Court of Human Rights has ruled that the investigation into that case 'manifestly lacked the requisite independence, impartiality, objectivity and thoroughness'³⁰.

The significant role played by the security structures in the country's social and political life, the lack of any oversight of their activities, the ease with which the authorities resort to forceful methods

²⁹ Interview with a member of the international analyst community during a study visit to Georgia in May 2011.

³⁰ European Court of Human Rights, Case of *Enukidze and Girgvliani v. Georgia*, application no. 25091/07, Judgment, Strasbourg 26 April 2011, <http://cmiskp.echr.coe.int/tkp197/view.asp?item=1&portal=hbkm&action=html&sessionid=79655442&skin=hudoc-en> (last accessed 25 November 2011).

to resolve internal crises, as well as the restrictive regulations³¹ and the willingness of the enforcement bodies and courts to use them³², all affect the atmosphere of public life, and have given rise to allegations that Georgia is turning into a ‘police state’.

3. Opposition parties

In Georgia there are a number of opposition political groups whose traditions date back to the 1990s, or even the period before the break-up of the Soviet Union. However, the bulk of today’s opposition emerged as a result of schisms that occurred within the camp of the ‘Rose Revolution’ since 2003, and many of the most recognisable opposition politicians were Mikheil Saakashvili’s close aides in the past (Nino Burjanadze, Irakli Alasania and others).

Having contested the results of the 2008 parliamentary elections due to alleged fraud, the opposition in Georgia now functions outside parliament. Formally a parliamentary opposition group, the Christian Democratic Movement is commonly regarded as a ‘systemic’ opposition which does not question the presidential camp’s monopoly on power³³. More than a dozen more or less active opposition parties are dispersed outside the parliament. What they have in common is limited financial and human resources, poorly developed structures outside the capital, and no access to the major media. This puts them in a position which is clearly inferior to

³¹ The Georgian Code of Administrative Misdemeanour provides for the possibility of administrative detention of up to 90 days, among other measures. Cf. ‘Administrative Error. Georgia’s flawed system of administrative detention’, Human Rights Watch 2012, <http://www.hrw.org/sites/default/files/reports/georgia0112ForUpload.pdf> (last accessed 29 January 2012).

³² Georgia has one of the world’s highest prison populations per 100,000 inhabitants. Cf. for example World Prison Population List 8th edition, http://www.kcl.ac.uk/depsta/law/research/icps/downloads/wppl-8th_41.pdf (last accessed 10 December 2011).

³³ Cf. for example ‘Leaked Cable: CDM Mayoral Candidate Encouraged by Gov’t to Run’, <http://civil.ge/eng/article.php?id=23898> (last accessed 10 December 2011).

that of the ruling elite, with its extensive administrative, human and financial resources and access to the media. Personal conflicts divide the opposition, making the situation even more difficult.

The opposition principally emphasises the authoritarian traits of the Saakashvili camp's rule and the poor economic situation of the general public. It has criticised the repressive behaviour of the security apparatus, the arrogance of power and its disconnection from the realities of Georgian life (this particularly pertains to the president personally), and the random and superficial nature of many actions³⁴. However, the opposition has not been able to formulate a positive alternative vision. As a result, criticisms tend to be personal, and focus on calls for Mikheil Saakashvili to be removed from power.

Since ideological issues are of little importance, the main criteria by which the opposition groups differentiate themselves concern their choice of methods for political struggle and their attitudes towards Russia. Politicians such as Nino Burjanadze (the former parliamentary speaker), are ready for more or less open co-operation with Moscow, and advocate removing Saakashvili from power through mass street protests. Government propaganda has consistently accused this section of the opposition of links to Russian secret services, including through Georgian oligarchs living in Russia and Western Europe, and members of the criminal underground³⁵. Most of the other opposition parties (such as Our Georgia/Free Democrats, run by Georgia's former ambassador to the UN Irakli Alasania, or the Republican Party) seek to remove Saakashvili's group from power through elections, and advocate

³⁴ The project to enhance Georgia's agricultural standards by inviting white farmers from South Africa to settle in the country is a classic example of the authorities' high creativity, which nevertheless has produced little concrete effect. Cf. <http://www.boers.ge/> (last accessed 12 December 11).

³⁵ Cf. for example 'Robert Coalson, Burjanadze's husband, becomes focus of Georgia political intrigue', Radio Free Europe/Radio Liberty, 26 March 2009, http://www.rferl.org/content/Burjanadzes_Husband_Becomes_Focus_Of_Georgian_Political_Intrigue/1563251.html (last accessed 13 December 2011).

a continuation of the pro-Western course. Nevertheless, the ruling group has in fact monopolised the rhetoric of modernisation and integration with the West, which makes it even more difficult for the opposition groups to reach and be noticed by the electorate outside the big cities.

Because of its fragmentation and reactive approach to the government's moves, the opposition enjoys only limited public support. Even though the potential for discontent is significant (mainly because of social issues such as unemployment, poverty, growing social inequalities etc.), the public, fatigued by the futility of anti-government street protests in previous years, perceives the opposition as unconstructive, bereft of ideas of how to carry on the political struggle, and essentially unprepared to take over power in Georgia.

4. A new political player

A new player on the Georgian political scene is Bidzina Ivanishvili, the richest man in Georgia, with assets worth an estimated US\$6.4 billion (corresponding to more than half of Georgia's annual GDP), who unexpectedly announced his entry into politics in October 2011. Unlike the opposition parties, he has the potential to challenge the ruling group's monopolistic position³⁶. His ambi-

³⁶ As in the other former Soviet countries, the active involvement of the so-called oligarchs in politics is not a new phenomenon in Georgia. Badri (Arkadi) Patarkatsishvili, a Georgian billionaire who operated in Russia in the 1990s, is a figure who resembles Bidzina Ivanishvili in many respects. Because of his close links to the Russian oligarch Boris Berezovsky, who was in conflict with Vladimir Putin, Patarkatsishvili returned to Georgia in 2001 where he used his immense wealth (estimated at US\$12 billion) to develop large-scale business and charitable activities. Dissatisfied with the reforms implemented after the 'Rose Revolution', which undermined his business interests, Patarkatsishvili moved over to the opposition against Saakashvili; he financed the anti-government protests in autumn 2007, among other ventures, and harshly criticised the ruling group in his media (mainly Imedi television). He also challenged Mikheil Saakashvili as a presidential candidate in the elections of January 2008. Thanks to his huge wealth, personal influence, links to the Russian government and business, and the fact that

tion is to defeat the president's United National Movement in the upcoming parliamentary elections and form a new government. Ivanishvili intends the newly founded Georgian Dream public movement and the Georgian Dream – Democratic Georgia opposition party to be his political vehicles.

Ivanishvili earned his money in the opaque business environment of Russia in the 1990s. Before returning to Georgia, he carried out large-scale activities in the banking, metallurgic and other sectors in Russia. After the 'Rose Revolution' he was awarded Georgian citizenship by President Saakashvili and resettled in Georgia, although he kept some of his Russian assets. According to unconfirmed reports, Ivanishvili supported the authorities financially for many years after returning to Georgia, which, if true, would make him fit the pattern whereby the new Georgian government 'amnestied' Georgian oligarchs in return for their financial support. The billionaire has gained recognition and popularity in Georgia thanks to his large-scale charitable activities and his support for the Georgian Orthodox Church, even though Ivanishvili has consistently avoided the media or making any public statements, and has been surrounded by an atmosphere of secrecy. He is believed for many years to have financed grants for members of the Georgian intelligentsia who were impoverished as a result of the transformation. According to unconfirmed reports, he has also financed the construction of the Holy Trinity Cathedral, the largest religious building in the Southern Caucasus, which rises above Tbilisi.

When Ivanishvili declared that he was entering politics, opposition groups started to seek his favour and opportunities to cooperate with him. The authorities also responded immediately: Ivanishvili was stripped of his Georgian citizenship, as a result of

he possessed his own media, Patarkatsishvili posed the greatest challenge to the Saakashvili group since the 'Rose Revolution'. In February 2008, he unexpectedly died of a heart attack in London.

which he cannot legally engage in politics or finance parties³⁷, and the National Bank of Georgia opened an investigation into alleged money laundering by his Cartu Bank. Meanwhile, members of the ruling group have started to publicly accuse the billionaire of acting on orders from, and in the interest of, Russia.

Little is known about Ivanishvili's views. His statements suggest that he supports both a pro-Western orientation, including Georgia's future accession to NATO, and closer relations with Russia. However, his policy declarations have been very general and populist in nature. The political parties he has chosen as his main partners, the Republican Party and Alasania's Our Georgia/Free Democrats, represent the pro-Western option and are recognizable and reliable potential partners for the West. However, Ivanishvili's circle also includes some members of the old regime, from the period of Eduard Shevardnadze's rule. Moreover, the fact that Ivanishvili has long been doing business in Russia, and the scale of his business activities, engender speculations that he might be implicated in murky business and political relations in Russia. Thus, the new political force that the billionaire is building up is in many ways non-transparent and unpredictable, both with regard to its policy issues and the question of who will ultimately have the decisive say in it.

It's difficult to say why Ivanishvili has made this sudden turn. His actions so far demonstrate a lack of political experience or any clear strategy of action. Nevertheless, his emergence on the political scene poses a serious challenge to the ruling group. A number of factors predispose Ivanishvili to play a major role in Georgian politics, either personally if he regains his citizenship, or indirectly if not. These factors include his huge financial resources,

³⁷ Ivanishvili was stripped of his citizenship under the pretext that, already a citizen of Georgia and Russia, he had recently adopted a third, French citizenship, as he announced in one of his statements. According to the legal interpretation presented by the authorities, this automatically entailed the expiry of his Georgian citizenship.

a positive public image and good relations with the Georgian Orthodox Church. Knowledge about the relations and connections within the ruling elite is also an important asset in Ivanishvili's political capital, which he is using by sending signals to key members of the ruling group that he could offer a safe alternative to Mikheil Saakashvili. The billionaire also benefits from the expectations of the EU and the United States that the campaign and voting in the next parliamentary elections should present major progress in terms of democratic standards, which limits the current Georgian leadership's room for manoeuvre.

5. Other public actors

a) The Orthodox Church

The Georgian Orthodox Church, and especially Patriarch Ilia II who has been leading the Church since 1977, are very important actors in Georgia's political life, even if they seldom take the limelight. Orthodox Christianity is a constitutive element of Georgian national identity, and the importance of religion in social life has been growing steadily since Georgia regained independence in 1991.

The Orthodox Church and the Patriarch are the most trusted public institutions and enjoy great authority. As the Papal Nuncio Claudio Gugerotti allegedly said, „If the people are forced to choose, they will choose the church over the government”³⁸. The special status of the Orthodox Church is regulated by an accord concluded in 2002 between the state and the Church (commonly referred to as the 'concordat').

The church is ostensibly conservative on moral issues, open about its aversion to other confessions, and distrustful of the West³⁹. Be-

³⁸ Georgia: impossible to govern without God and Bible, <http://www.wikileaks.org/cable/2008/12/08TBILISI2269.html> (last accessed 14.12.2011).

³⁹ Cf. for example the patriarch's call to refrain from sending children to

cause of the growing importance of the church in Georgia's social life in recent years, many observers claim that the effective modernisation of the state after 2003 has been accompanied by a traditionalist backlash in social life and public morals. At the same time, church organisations (such as charities) remain the most important platform of social activity for the Georgian public.

The great authority enjoyed by the church is visible in the fact that during the country's major political crises (such as the mass opposition protests in 2007 and 2009), the government, the opposition and a majority of the public turned to the Patriarch for mediation and assistance in resolving the tensions.

While the church is not directly involved in politics, it has so far taken the side of the *status quo* during crises, in effect the side of the government. However, the church has preserved a strong and independent position towards the ruling group, and has vocally expressed its discontent whenever it saw fit. The church is the only social institution whose opinion the government has to take into account, and whose favours it actively needs to seek – because these cannot be taken for granted, as demonstrated by the Patriarch's appeal for Bidzina Ivanishvili's citizenship to be restored.

Because of its traditionally close relations with the Russian Orthodox Church, critics often consider the Georgian church (or at least a considerable proportion of its high clergy) to have links to Russia or even to represent Russian interests. At the same time, however, the church, and Ilia II personally, have clearly distanced themselves from Russian policy and adopted a stance on the issue of reintegrating South Ossetia and Abkhazia which is closer to that of the Georgian government⁴⁰.

schools abroad because, being immature, they could be influenced by the wrong role models. Patriarch: 'Refrain from Sending Kids Abroad for Education, 03 October 10, <http://civil.ge/eng/article.php?id=22722> (last accessed 14.12.2011).

⁴⁰ For example, the joint visit in August 2006 by the President and the Pa-

The fact that Ilia II's stance towards Georgia's European and Euro-Atlantic aspirations is moderately favourable – despite his and his church's distrust of Western culture and values – is a valuable asset for the ruling group. Therefore the question of who will succeed Ilia II (who is now 79 years old) as leader of the church will be very important for the country's future. If an anti-Western and pro-Russian cleric becomes the next patriarch then, even if he does not enjoy as much authority as Ilia II, it will be more difficult for the Georgian leadership to continue its pro-Western course.

b) The 'third sector'

Under Eduard Shevardnadze, Georgia had an extensive and active 'third sector' which played a major role in the 'Rose Revolution'. When Mikheil Saakashvili came to power, non-governmental organisations became a human resource pool for the new authorities, and many prominent members of the ruling group entered the world of politics from the NGO sector. The outflow of qualified individuals from NGOs to the state administration, and the decrease in funding available to them (many donors transferred their funds to governmental programmes after the revolution) have considerably weakened the effectiveness of the NGO sector in Georgia. Although NGOs in Georgia are numerous and enjoy much better conditions than in any other neighbourhood post-Soviet country, in fact they operate on a much smaller scale and are markedly less active than before the revolution. Given the weakness and fragmentation of the Georgian opposition, the weakness of the NGO sector poses an additional problem for Georgian democracy⁴¹.

triarch to the village of Chkhalt'a in the Kodori Gorge; until August 2008 this was a part of Abkhazia controlled by Tbilisi, and the seat of the loyalist government of the Autonomous Republic of Abkhazia, an alternative to the separatist authorities in Sukhumi.

⁴¹ An extensive report on the current condition of Georgia's NGO sector can be found here: http://www.cipdd.org/files/40_631_536365_Civicus-GeorgiaACR-eng.pdf (last accessed 14 December 2011).

c) Informal groups

It remains an open question how much power and influence is in the hands of informal groups, especially the oligarchs whom Saakashvili forced into emigration, leaders of the organised criminal underground, and former high-ranking state officials, including secret service officers whom the government has repeatedly accused of trying to destabilise Georgia. Attempts by such groups to influence the situation in Georgia have been described by the German newspaper *Frankfurter Rundschau* in an article which quoted a confidential report from the Austrian criminal police. This document shows that Georgian criminal organisations operating in Western Europe are co-operating with Igor Giorgadze, the former security minister of Georgia (1993-5) who now lives in Moscow, to destabilise the internal situation in Georgia with a view to toppling the current leadership. Georgian criminal organisations allegedly supported the opposition street protests in the spring and summer of 2009, and bribed high-ranking state officials⁴².

⁴² Andreas Förster, 'Georgiens Mafia plante Umsturz', *Frankfurter Rundschau*, 22 June 2011, <http://www.fr-online.de/politik/wiener-ermittler-georgiens-mafia-plante-umsturz,1472596,4481758.html> (last accessed 14 December 2011).

III. QUESTIONS ABOUT GEORGIA'S FUTURE

The next parliamentary elections will be held in Georgia in October 2012. The ballot will be the first national elections since the war with Russia. It will offer the voters an opportunity to call the government to account for the 2008 conflict and for the four-year post-war period. They will also end the stagnation which has prevailed in Georgia's political scene since the war, and will start a period of intense political struggle that will only end with the presidential elections in 2013 and Mikheil Saakashvili's departure from office.

1. New legal realities

The elections will take place in a new legal reality: under a new electoral code, and with the prospect of a constitutional amendment coming into force that will alter the relationship between the different branches of government (it will become effective in 2013, after Saakashvili leaves office and during the new parliamentary term).

Both legislative changes have been enacted as part of the 'new wave of democratisation' announced by the President after the war, and are being presented by the government as milestones in the process of bringing Georgia closer to Western democratic standards.

The new electoral code implements a number of recommendations presented by international institutions, and meets some of the demands voiced by the opposition. The OSCE Office for Democratic Institutions & Human Rights and the Venice Commission of the Council of Europe, which have expressed opinions on the draft, have stated that it is conducive to democratic elections, and includes many positive elements. However, they have also criticised Georgia for failing to enact the anticipated changes to the definition of single-mandate electoral districts, which account for

almost half of the seats in the parliament. The geography of those districts, whose size varies from several thousand to little less than one hundred thousand voters in some cases, clearly works in favour of the still very popular ruling party, which won in 71 of the 75 single-mandate districts in the 2008 elections.

With the constitutional amendment of October 2010 (adopted partly in response to calls from the international community to limit the president's powers and strengthen the prerogatives of the parliament⁴³), Georgia will move from a presidential system of government towards a parliamentary-cabinet arrangement. When the reform comes into force, the president will remain the head of state, but many of the presidential powers will be transferred to the government, which will become the supreme executive authority for both internal and foreign policy. Under the amended constitution, the president will no longer have the power to arbitrarily designate candidates for prime minister (the candidate will be designated by the party winning the election), approve the nominations of ministers, dismiss the government, appoint the defence and interior ministers, or suspend and repeal the government's decisions. The prime minister will have exclusive influence over the nominations of governors and the power to countersign presidential nominations of army commanders and ambassadors, and presidential decrees. Overturning the president's veto will require an absolute majority of votes, instead of the qualified three-fifths majority required currently. As a nuance, the amended constitution will provide for an unusually complex and long procedure for a vote of no confidence, in which the president, rather than the parliament, will in fact play a key role⁴⁴. This suggests that the projected changes to the system of

⁴³ Strengthening the parliament's powers was recommended in the EU-Georgia Action Plan adopted in 2006, among others.

⁴⁴ Cf. Final opinion on the draft constitutional law on amendments and changes to the constitution of Georgia, adopted by the Venice Commission at its 84th Plenary Session (Venice, 15-16 October 2010), <http://www.venice.coe.int/docs/2010/CDL-AD%282010%29028-e.pdf> (last accessed 16 December 2011).

government will mainly shift powers between the different executive authorities, while preserving the executive's privileged position regarding the legislature.

2. The importance of the elections

The upcoming parliamentary and presidential elections will be a test of the stability and maturity of the Georgian state and political system, which will probe the government's commitment to democratic ideals, the impartiality of state institutions, public support for Georgia's current political course, the opposition's readiness to participate in democratic processes, and the political maturity of the general public.

Before the oligarch Bidzina Ivanishvili made his political debut, the outcome of the parliamentary elections in October seemed to have been already decided; the opposition was weak and dispersed, and lacked popularity despite the significant potential for public discontent, whereas the ruling group was consolidated, possessed significant resources and was perceived as having no alternative to it, despite the growing fatigue with the Saakashvili camp. The only unknown was whether the leadership would really opt for a 'qualitative breakthrough', in terms of abiding by democratic standards during the campaign and during the ballot. The challenge Ivanishvili has posed has radically changed the situation; a new player has appeared on the stage with considerable assets, including impressive wealth, considerable social capital built up through his charity activities, and an extensive network of contacts in Georgia, Russia and the West – and with whom the current leadership has to reckon. Thus, the outcome of the elections is no longer a foregone conclusion.

If the political movement created by Ivanishvili takes part in the elections, it will likely pose a serious challenge to the President's United National Movement, with good chances of successfully mobilising and winning over those sections of the electorate

which do not support the government. However, since the ruling group still enjoys wide popularity, and Ivanishvili clearly has no political experience or vision, the likelihood that he will defeat the presidential camp seems low. It seems that the most the opposition could achieve would be to deprive the ruling party of its absolute majority in the parliament which, in the context of the constitutional amendments, would force it to seek a coalition partner – that is, to share power.

3. The future of the President

Saakashvili's decision as to what role he will assume after leaving office in 2013 will be of decisive importance for Georgia's future. The solutions envisaged in the constitutional amendment, and the fact that they will only come into force after the end of his second term, have been fuelling speculations that he may be intending to follow Vladimir Putin's footsteps and become the head of government, thus effectively manipulating the principal democratic mechanisms.

The President himself has admitted that this was theoretically possible, but has refused to declare his intentions clearly, claiming that if he announced his withdrawal from politics two years ahead of the end of his term, this would undermine his position and pose a threat to the planned reforms⁴⁵. Saakashvili's age (he will turn 46 in 2013), his popularity, and the absence of any politician with enough leadership and charisma to replace him, might convince him to stay in power. Some members of the elite also argue that maintaining the current political course for as long as possible should be the priority while the Russian threat remains imminent.

⁴⁵ Cf. for example interviews for Euronews and the Ukrainian 1+1 channel. <http://www.euronews.net/2011/05/31/saakashvili-the-west-is-only-option/> (last accessed 16 December 2011) and http://tkachenko.ua/video/vypuski/?media_id=383432334 (last accessed 16 December 2011).

However, such a step would leave Georgia facing a knot of problems typical of authoritarian countries: the declining popular legitimacy of the ruling group, international isolation, and entrenchment of the pathologies of power. Saakashvili's decision to stay in power would also threaten to escalate tensions within the elite because, according to unconfirmed reports, a number of key members of the ruling group oppose this step.

An alternative scenario could be for the President to cease active involvement in politics, while keeping the position of a mentor and informal arbiter. Since the ruling party is likely to retain its dominant position on the Georgian political scene after 2012, such a decision would open the way to senior state offices for other members of the elite. For example, the popular mayor of Tbilisi Gigi Ugulava (who enjoys good relations with the church), or the current parliament speaker David Bakaradze have been mentioned as potential candidates for president. This scenario would also strengthen the position of the interior minister Ivane Mera-bishvili, who is already commonly regarded as being in charge of the day-to-day running of the state.

A third possible scenario, which is currently being speculated upon in Tbilisi, envisages the President assuming a prominent public post other than that of prime minister, such as the speaker of parliament, or the head of government in the Autonomous Republic of Adjara. In the short term, such a move would enable Saakashvili to retain considerable formal influence on Georgia's politics, and would probably cause less controversy than if he became prime minister. In the long term, however, this would almost inevitably lead to tensions with the future prime minister and president, and in effect to political crises and even splits within the ruling camp. Additionally the president would surely face international and internal accusations of manipulating the democratic mechanisms.

4. Unconstitutional scenarios

Considering the complexity of Georgia's internal and external situation, unconstitutional scenarios cannot be ruled out.

Mass protests are the staple method of political struggle in Georgia. At the moment the public appears to be tired of this kind of street politics, although in the event of a deterioration of economic conditions or the appearance of post-election controversies, a new wave of protests is entirely conceivable. Even though the government is experienced in dealing with mass protests, such crises are as a rule unpredictable, and potentially dangerous for the country's stability.

A separate issue concerns the influence of Georgia's northern neighbour on the country's internal situation. Moscow has both the necessary instruments and a long track record of interfering with Georgia's internal affairs. Moreover, it is in Russia's strategic interest to strengthen its position in the South Caucasus (including by subordinating Georgia), because of its need to control the transit routes for Caspian energy resources, among other objectives.

Moscow and Tbilisi have had no diplomatic relations since 2008, and formally remain in a state of war⁴⁶. The Russian government does not recognise the current Georgian leadership as representative of the country, and both officially and, presumably, unofficially has been supporting its opponents⁴⁷.

The Georgian authorities and the media associated with them have regularly warned about the possibility of a Russian-inspired terror attack or coup. Over the last two years, mysterious explosions

⁴⁶ Russia is currently occupying around 20% of the country's internationally recognised territory (Abkhazia, South Ossetia). The only formal document ending the 2008 war is the Medvedev-Sarkozy ceasefire agreement.

⁴⁷ Cf. 'Путин готов говорить с конструктивными силами' в Грузии', <http://www.civil.ge/rus/article.php?id=20746> (last accessed 15 December 2011).

have been reported in various parts of Georgia, including in the vicinity of the US embassy in Tbilisi. The security structures have also repeatedly reported foiled attempts at bomb attacks or acts of sabotage⁴⁸. In May 2009, a mutiny took place at the tank battalion stationed in the Mukhrovani base near Tbilisi while mass opposition protests were being held in Tbilisi, which the authorities described as an attempted coup. According to the Georgian government, all those incidents were organised by Russian secret services, operating primarily from the territories of Abkhazia and South Ossetia⁴⁹.

While Russian interference in Georgia's internal affairs is likely, and may include support for the opposition as well as acts of sabotage, it should also be noted that the Georgian leadership has been exploiting the Russian menace in order to mobilise public support and discredit the opposition. A TV programme aired by Imedi in March 2010, which depicted a new Russian invasion, the establishment of a pro-Russian government and the death of Saakashvili in a broadcast stylised as live coverage, may serve as an example here. Aired with no warnings that it was a fictional programme, the programme gave rise to panic in Georgia, and led to harsh criticism of the government both domestically and abroad.

5. Social and economic problems

The condition of the economy will affect how the situation in Georgia, including the political situation, develops. Georgia's good

⁴⁸ Cf. for example <http://police.ge/index.php?m=8&newsid=2304>, <http://police.ge/index.php?m=8&newsid=3101> (last accessed 20.02.2012).

⁴⁹ Tbilisi's version is corroborated by a series of articles in the *Washington Times* of July 2011, according to which the question of the explosion in the vicinity of the US embassy was twice raised during meetings between the US secretary of state USA Hillary Clinton and the Russian foreign minister Sergei Lavrov in the course of 2011. Cf. Eli Lake, 'Clinton raised issue of a Russian link to bombing in Georgia', *Washington Post*, 28 July 2011; <http://www.washingtontimes.com/news/2011/jul/28/clinton-raised-issue-of-a-russian-link-to-bombing-/?page=all> (last accessed 16 December 2011).

macroeconomic performance after 2003 has scarcely translated into better standards of living for the people. For years, mass unemployment has remained the most important problem for Georgian society⁵⁰ (the official unemployment rate is 16.3%, but unofficially it is much higher). No significant progress has been reported in the fight against poverty, which affects 27.8% of the people in Georgia according to EU figures⁵¹. Should the economic situation deteriorate, standards of living would dominate the coming political season and could bring people into the streets.

These problems expose the limitations of the liberal economic model which until now had been implemented as economic orthodoxy, and require corrections to it. The foreign investments which the authorities hoped would bring dynamic development to Georgia are often destined for the real estate and the financial sectors (15% and 16% respectively of Georgia's FDI in 2010) and do not generate many jobs, or, in the case of investments in transport and communication (35%), consist of large, one-off infrastructural projects financed with funds coming from international aid, among other sources. The presence of the Virgin Islands, the United Arab Emirates and Cyprus among the top-ten investors in Georgia suggests that a considerable proportion of FDI consists in speculative capital, or Georgian capital reinvested in Georgia via tax havens.

After 2003 Georgia stopped pursuing any sectoral economic policies, exacerbating the breakdown of the agricultural sector, which had been in decline since 1991. Currently, agriculture nominally accounts for the employment of over 50% of those active in the labour market, yet generates only slightly over 8% of GDP⁵². Georgia

⁵⁰ Cf. Georgian National Study, 26 April – 4 May 2011.

⁵¹ 2009 figures. Source: 'Implementation of the European Neighbourhood Policy in 2009: Progress Report Georgia', http://ec.europa.eu/world/enp/pdf/progress2010/sec10_518_en.pdf

⁵² Cf. http://geostat.ge/index.php?action=page&p_id=428&lang=eng

imports an estimated 80–90% of its food. To compare, in Soviet times agriculture provided 25% of all jobs and generated 32% of the republic's national income⁵³.

Another problem concerns Georgia's dependence on international assistance. After the 'Rose Revolution', a large stream of loans and grants started flowing into Georgia from international aid organisations: the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, etc., as well as the United States and the European Commission. According to World Bank estimates, between 2004 and 2009 Georgia received around US\$3.137 billion of ODA (Official Development Assistance). Those figures certainly do not include all categories of aid (such as military aid), and exclude a major part of the post-war assistance package worth US\$4.5 billion. The influx of foreign aid has contributed considerably to Georgia's rapid transformation, but at the same time has made Tbilisi deeply dependent on a permanent stream of external financing. Official figures demonstrate that in 2010 over 20% of budget spending was covered by aid funding – grants, low interest loans, etc⁵⁴. According to unconfirmed information, Georgia will receive another large payment of international aid in 2012 as 'recompense' for withdrawing its objections to Russia's accession to the WTO. Nevertheless, aid to Georgia will probably start shrinking in the coming years, posing a major challenge because of Georgia's lack of economic self-sufficiency.

⁵³ Glenn E. Curtis, ed. *Georgia: A Country Study*. Washington: GPO for the Library of Congress, 1994. <http://countrystudies.us/georgia/43.htm> (last accessed 20 January 2012).

⁵⁴ Cf. Georgian Economy Overview, April 2011.

IV. FUTURE CHALLENGES

1. Challenges for Georgia

Since the ‘Rose Revolution’, Georgia has been a most spectacular political experiment, which has inspired enthusiasm in the West for years and has been admired by the pro-Western elements of societies in the other CIS countries.

Yet despite the unquestionable achievements of President Saakashvili’s team, the war with Russia has exposed the systemic weaknesses and limitations of the Georgian model, as well as the need for thorough reforms which are necessary not only to keep modernising the country, but also to maintain what has been achieved so far. Preserving the *status quo*, in politics and in the economy, will not only make it impossible to eliminate the system’s inherent faults, but will also lead to a rise in authoritarian practices and social and economic problems.

Changes are also necessary in view of the international situation, which is unfavourable for Tbilisi. Because of the serious economic problems in the euro zone and the United States, the changing balances of power both globally and within Europe, as well as the dynamism, depth and uncertain outcomes of the upheavals in the Middle East and North Africa, interest in Georgia will probably wane over the coming years, especially if the reforms anticipated by the West do not materialise, and most certainly if democratic standards deteriorate.

In this situation, Georgia’s most important and most difficult challenge is to truly democratise the country, which will require the depoliticisation of the state apparatus, the development of free media, an independent judiciary, transparency in public life and the rule of law; ensuring the latter may well prove to be the most difficult task. The following statement by President Saakashvili is noteworthy, as he has admitted, “We’ve become a modern state

based less on institutions and more on personalities; now we should make a modern society based on rule of law and institutions”⁵⁵. If Georgia is to continue developing, it will need to abandon the ‘revolutionary’ model of state management based on improvisation and arbitrary decisions by a narrow circle. It will have to build up institutions and develop procedures that can operate smoothly irrespective of the personalities in power, and beyond the eventual change of leadership through elections.

Continued development will also require a clear answer to the question about Georgia’s identity and aspirations. During George W. Bush’s presidency, Georgia clearly tended to follow and imitate American models in such domains as the organisation of the state, economy and culture. After the war with Russia and the change in US administration, when Tbilisi’s relations with the United States cooled off, integration with the EU became the pre-eminent aim. However, seeking rapprochement with the EU had long been more of an expression of Tbilisi’s general aspirations to be part of the West in the civilisational and cultural sense, and less of a real commitment to adopt the specific political and economic model. Georgia’s liberally-minded political elites have been objecting to the prospect of having to implement the complicated EU regulations. The following statement by President Saakashvili illustrates this point well:

It is difficult to work with the Europeans. This is a huge bureaucracy, and they do not always understand. We have eliminated 90% of all those sanitary and fire protection inspectors, the phytosanitary services, etc. and 90% of all the licences and permits that existed before. Our system is very simple. But when you talk with the Europeans, they always ask if we have an official dealing with the given issue, like in Europe. And we do not have them, to which the EU people immediately say that we will have to create

⁵⁵ Saakashvili on his role model, *Civil Georgia*, 31 December 2008, <http://www.civil.ge/eng/article.php?id=20221> (last accessed 17 December 2011).

such offices. And then we reply that when we had all those officials, they extorted money and sucked people's blood, and we do not miss them⁵⁶.

Yet despite Georgians' scepticism and long-held reluctance to adopt EU regulations, Georgia undertook a number of reforms in 2011 which led to the official inauguration in January 2012 of negotiations concerning the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) between Georgia and the EU. The DCFTA is the key element of a future Association Agreement (AA). It provides for the abolition of tariffs and quotas in mutual trade of goods and services, as well as the elimination of non-tariff barriers, and will enable Georgia to integrate with the EU market.

Even though the negotiations will probably take several years to be concluded, the very fact that they have been opened is a success. The launch of negotiations had long hung in the balance, both because the EU had set very strict preconditions (concerning sanitary and phytosanitary standards, competition policy, technical barriers to trade, intellectual property protection, and labour law⁵⁷), and because of reluctance on Tbilisi's part.

Commenting on the start of the negotiations, President Saakashvili said that the year 2011 had been a turning point in Tbilisi's relations with Brussels, and that it had brought Georgia closer to membership in the EU. Allowing for the President's typical tendency towards hyperbole, it seems that Georgia's attitude towards the Association Agreement negotiations indeed underwent real change during 2011, and the country is now more committed to the process and more willing to implement European regulations. However,

⁵⁶ http://tkachenko.ua/video/vypuski/?media_id=383432338 (last accessed 13 October 2011).

⁵⁷ Cf. 'An Appraisal of the EU's Trade Policy towards its Eastern Neighbours: The Case of Georgia', Brussels 2011 <http://www.ceps.eu/book/appraisal-eu%E2%80%99s-trade-policy-towards-its-eastern-neighbours-case-georgia> (last accessed 13 October 2011).

this change was certainly motivated mainly by the disappointment with the downgrade of US/Georgia relations after 2008.

2. Challenges for the West

Georgia's pro-Western transformation after the 'Rose Revolution' has been one of the West's greatest international successes of the last decade. The road from a failed state to a fully functional state, which Georgia traversed in just a few years, not only demonstrates the benefits of the Western political and civilisational offer, but also, more importantly, proves that Western standards can take root also beyond Central and Eastern Europe, which was historically bound more closely to the West.

By supporting the transformation in Georgia, the West has demonstrated its ability to influence political realities in areas where it has vital interests. Post-revolutionary Georgia is in many respects a symbol of the West's ambition, determination and capability in the international arena.

Should the Georgian project stagnate, or worse, become derailed as a result of rising authoritarian tendencies, an economic breakdown or a new war, this would be a painful defeat for the West, and would expose its inability to influence developments in its close neighbourhood and to retain its 'holdings'. This, in turn, could undermine the achievements of many years of Western involvement not only in Georgia, but throughout the CIS.

A real 'qualitative breakthrough' in the functioning of Georgian democracy, which would come with free and fair, pluralistic parliamentary and presidential elections, and a possible change of government by electoral means, would be an unquestionable success for the West, since fair elections remain a rare and exceptional occurrence in the former Soviet area.

It therefore appears that, despite the immensity of other challenges and the apparent 'Georgia fatigue', the West should be vitally interested in the continuation of the country's pro-Western transformation. In order to succeed, however, it needs to present an attractive offer to Tbilisi by providing political, economic and expert support, in order to demonstrate that Georgia's future is linked with that of the West, while at the same time strictly abiding by the principle of conditionality, under which any assistance should depend on the genuine progress of internal reforms.

MAREK MATUSIAK

Text completed April 2012