

AT THE HARRIMAN INSTITUTE

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Recent Developments in Georgia

“This is an important time for Georgia,” said Mr. David Bakradze, former Foreign Minister, and the current Chairman of the Parliament of Georgia, who spoke at Columbia University on October 16, 2009, at a forum sponsored by the Harriman Institute. “Unfortunately, I cannot remember a time in the past twenty years that was not important for Georgia, as we have faced constant challenges, both internally and externally.” Bakradze divided his remarks between Georgia’s foreign policy and its internal affairs.

Internal Affairs

Street Demonstrations This spring President Mikheil Saakashvili’s political opposition organized street protests calling for the President’s resignation. The protestors accused Saakashvili of mishandling the war with Russia and blamed him for abandoning the democratic principles of the Rose Revolution. Similar demonstrations against Saakashvili in November 2007 evoked a violent reaction from the police, resulting in over 500 injuries, and snap elections, which Saakashvili won. The international community responded to the government’s violent handling of the peaceful street protests in 2007 with disapproval. The Georgian government responded peacefully to the 2009 demonstrations. Bakradze stressed that the peaceful resolution of these protests marked the beginning of a new stage in Georgia’s political development.

Street demonstrations have been important in Georgia’s political history. “If you ask any Georgian, four out of five of us will say that it was the street demonstrations of Tbilisi that facilitated the collapse of the Soviet Union,” stated Bakradze, referring to the 1989 demonstrations against Soviet power, which led to the invasion of Soviet tanks and a clash between Soviet and civilian forces. Georgia’s first elected president, Gamsakhurdia, fled the country in 1992 after a series of street demonstrations demanding his resignation, and the Rose Revolution in 2003 also took place on Tbilisi’s streets, bringing Saakashvili to power and putting an end to Shevernadze’s eight-year reign.

Bakradze lamented that, “street protests are viewed as the vehicle for change in Georgia,”

acknowledging that demonstrations are “a democratic way of expressing protest,” but that “it is problematic when demonstrations become the country’s main political tool.”

Declaring that street protests are the primary cause for the radicalization of Georgia’s political scene, Bakradze stated that there will always be opposition parties who can mobilize tens of thousands of people to come to the streets, expecting change, “it’s a never-ending story,” he said, urging a change in mentality.

“When politics are conducted through the streets, and the main dialogue is not within political institutions, but between the office and the streets, of course this leads to polarization of society on political issues,” Bakradze explained. “Many Georgian politicians are seen as taking a radical political approach, because they constantly face street mobs and have to prove that they are tough. People in the street do not listen to moderate rhetoric.”

Bakradze deemed the failure of the opposition to achieve Saakashvili’s resignation this spring a step in the right direction. “It became clear to everyone that street actions are fruitless if they are not supported by some other political means.” The protests, which lasted for about three months, resulted in a reform package. “It is not enough to show that street demonstrations are fruitless,” Bakradze remarked, “the government has to provide an alternative. This alternative is the package of government reform that we provided to the opposition and more importantly to the Georgian people.”

Reform Package Bakradze outlined the key elements of the package, starting with constitutional reform. In response to general dissatisfaction with overbearing presidential power and a lack of checks and balances, the government has formed a constitutional commission, comprised of academics, lawyers, politicians, and civil servants.

The commission is currently working to create a new system of checks and balances. “There are debates on which form this system should take, some would like to see a parliamentary

government, others a semi-presidential system, but it's better that these debates take place within a commission, than on Tbilisi's streets," the Chairman proclaimed.

The government has also established a group that is working on a new election code. The Georgian people have voiced complaints that small parties have no representation with the current electoral system. Their first major reform concerns the mayoral elections in Tbilisi; presently the population elects a city council, which in turn elects the city's mayor. "This is a common procedure in many European countries," Bakradze said, "but our people want to elect the mayor directly."

Tbilisi comprises about 35% of Georgia's total population and its mayor is a powerful political figure. Bakradze noted that the diversity of political opinion within the city creates a high probability that opposition parties can come to power with direct mayoral elections. "We said ok, you want to challenge us with direct elections? Let's have direct elections, and let's spend our energy on election campaigns instead of spending it in the streets." Direct elections will begin at the end of May 2010. "If the opposition wins, this will create a considerably new political landscape in Georgia," he concluded.

Economics Georgia's economy was in shambles until 2004. It developed with double digit growth during the years 2006-08, and then fell drastically after the war with Russia and the onset of the global economic crisis. It has transformed from a corrupt semi-Soviet system to a liberal market economy that has been rated number 32 out of a 157 countries on the Heritage Foundation's freedom index this year, and is number 11 out of 183 countries in the World Bank's survey of friendly business climate, "Doing Business 2010: Reforming through Difficult Times."

Bakradze conveyed that efforts to reduce corruption largely involved the contraction of the government's role in economics. "Any license or permit was a source of corruption," he said, "we reduced the number of licenses required from 900 to 120." Formerly, obtaining a business license from a state ministry involved a web of bureaucracy. "Now if the ministry doesn't respond within three days, you automatically receive your license. We've shifted the burden from the businesses to the ministry."

According to Bakradze, the switch from a proportional income tax to a flat tax has also reduced corruption. Under a proportional tax system people in higher tax brackets would bribe tax inspectors to say that their income was lower

than it actually was. "Flat taxes are easy to administer without corruption," stated Bakradze.

"A small liberal economy has one disadvantage—it depends on foreign direct investment. The image of Russian tanks in Georgia sent the worst signal to investors, and after the war, investment in our economy decreased by 80%," Bakradze revealed. In addition to the war, Georgia's economy was shocked by the global economic crisis last fall.

"Unlike other economies, we didn't turn to state regulations, and instead made a number of liberal reforms," Bakradze described the decision to lower income taxes as a "painful decision" for the government because it lost a lot of money, but he contended that lowering taxes would generate economic growth in the long term. Recently President Saakashvili enacted a new law, which requires a referendum from the people in order to increase taxes. "This basically means no new taxes in Georgia, because one could hardly imagine the people advocating for tax increases," projected Bakradze. He elaborated that it is tempting for the government to spend on social projects, but that investment in these projects will stunt economic growth.

Bakradze believes that these reforms have helped the Georgian economy, which has started to develop again in August, "we expect to finish the year with a -2% GDP, which is not bad considering the war and the crisis. If things continue to develop at this rate, we will reach 0% or maybe even 1% growth," he remarked. "To conclude the bit on internal politics, we are cautiously optimistic that we are headed on the right track."

International Affairs

Russia On August 12, 2008, after the five-day war, Georgia and Russia signed a ceasefire agreement negotiated by French President Nicolas Sarkozy. The agreement, which called for Russian troops to withdraw, also granted limited Russian patrols within the region. President Medvedev claimed that Russia had achieved its military goals in Georgia and was willing to step back. Despite these statements, Russia has failed to act. "Not only is Russia not withdrawing its troops from Abkhazia and South Ossetia," Bakradze remarked, "but they are institutionalizing their long-term presence by building up military bases and signing treaties with occupied territories."

Geographically, Georgia is "a bottleneck," that can cut off Azerbaijan and Central Asia from Europe. "By controlling Georgia, Russia will have control of the Central Asian energy market," Bakradze pronounced. "While Germany and the Czech Republic are considered the real abroad, the

former Soviet space is called the 'near-abroad,' because the Russian government hopes that it will be theirs again."

Articulating that Georgia would never sacrifice its sovereignty for good relations with Russia, Bakradze emphasized that the two countries have a lot of mutual interests, and would both benefit from cooperation. He referred to the North Caucasus, where violence runs rampant. "It is in both of our interests to collaborate on providing security to the North Caucasus," he declared, saying that the region is on the brink of war. He recalled how Georgia had always been a major tourist destination for Russians, and that the two countries have always had strong cultural ties. "We have a lot in common, but unfortunately all these interests are ignored because Russian policy in Georgia today is a classic zero-sum policy."

Bakradze accused the Russian government of making an enemy out of Georgia to the Russian people, noting the absurdity of the situation, "I cannot make fun of it because this is my country, but were I from another country, I would laugh at the fact that Georgia, this tiny country, is Russia's major enemy." Recently, Aleksandr Bortnikov, the director of the Federal Security Bureau in Russia, accused Georgian officials of cooperating with Al Qaeda in order to thwart Russia's efforts in the North Caucasus. "How can we be collaborating with Al Qaeda when we have had troops in Iraq for the past five years, and are helping in Afghanistan?" Bakradze called the Kremlin's statements contradictory, "first they accused us of cooperating too closely with the United States, now they are accusing us of collaborating with Al Qaeda, the United States' biggest enemy."

Since October 2008, the European Union has had observers monitoring the situation in the buffer zone around South Ossetia. "They cannot enter the occupied territories, but they can prevent escalation of the conflict by watching for the movement of Georgian troops, and testifying that there is no pre-context for a Russian attack," Bakradze remarked, noting that the EU observers play a crucial role in delegitimizing Russia's antagonistic claims.

Georgia and Armenian-Turkish Relations

Armenia, a landlocked nation bordering Georgia, Turkey, and Azerbaijan, heavily depends on Russia for its trade. Azerbaijan and Turkey have both closed their borders to Armenia because of Armenia's occupation of the Nagorno-Karabakh region. Russia's sanctions against Georgia, in place since 2005, have also isolated Armenia, cutting trade, gas, and electricity to the region. The reconciliation process between Turkey and Armenia, solidified two weeks ago with an

agreement between the foreign ministers of the two countries, but still awaiting ratification by both parliaments, will re-open borders, and make Armenia less vulnerable to Russia.

"Many think that Turkish-Armenian reconciliation is a risk for Georgia because it will reduce Armenia's dependence on Russia." Bakradze pointed to the fear that once Armenia has another trade channel, Russia will take harsher steps against Georgia. "There are no harsher steps they can take," he proclaimed, "they have done everything they can, and it can be argued that these measures hurt Armenia, which is landlocked, more than they have hurt Georgia, which has both Azerbaijan and the Caspian Sea as trade outlets."

Bakradze emphasized that Russia has not cared about the effect of their sanctions on Armenia so far. Armenia's decreased dependence on Russia will be good for Georgia, he said, "because Armenia will have more flexibility in choosing its own foreign policy."

Question and Answer

Georgia and Russian-Turkish Relations

In response to a question about intensifying trade relations between Russia and Turkey, and the rumors that Turkey might replace Ukraine to house a Russian pipeline, Bakradze said that cooperation between the two nations is good in theory, because it increases regional stability. However, he continued, the context behind the improvement of Russia-Turkey relations is problematic. By "replacing" Ukraine, and building the pipeline in Turkey, Russia will weaken Ukraine, and thus be able to manipulate its politics. Russia has been using energy as the number one manipulation tool for its foreign policy the Chairman noted, stating "Russian energy has been an effective dividing factor within the EU. Russia has signed favorable agreements with certain EU states in order to split EU countries. In this sense, yes, of course it is dangerous."

Bakradze worries that people in Russia see the improvement of relations with Turkey as insurance that Turkey will not react to Russian interference in Georgia. "Unfortunately, we have seen this kind of thinking prevail in the Kremlin over the past eight years, I hope that there is not similar thinking in Ankara," he conveyed, mentioning that Turkey is Georgia's number one trading partner, and that it is important for the two countries to continue cooperation on security in the Caucasus.

NATO "Russia should prefer a stable, predictable Georgia." Bakradze argued that it would actually benefit Russia if Georgia joined NATO. "It's better for Russia to see a stronger Georgia that is not infested with terrorist activity." He lamented that Russia only sees things in terms of the

immediate political game. “Maybe there are other routes aside from NATO integration,” he added, and urged Russia to open a dialogue with Georgia.

“The first phone call I made after the Parliament confirmed me as Foreign Minister was to contact Russian Foreign Minister Lavrov, asking him for a meeting. He responded that our deputies should meet instead,” Bakradze stressed that Georgia would like to improve its relationship with Russia, but not at the price of its sovereignty. “We are willing to talk to them, but they refuse to tell us concretely what it is they want.”

Reported by Masha Udensiva-Brenner