

## **GEORGIA: SOMBER PROSPECTS FOR 2009**

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If 2009 seems likely to be a more delicate year due to the worldwide economic crisis touched off by the financial crisis of late 2008, it could well be a crucial year for Georgia, a sort of dramatic ‘double or nothing.’

Cut off from its two separatist regions of South Ossetia and Abkhazia following the conflict of the summer of 2008, and with a population that is mostly disappointed and resigned, a President who is greatly discredited and more and more challenged, with foreign investment in free fall and key sectors of industry, construction, agriculture and tourism weakened by the difficulties, the end of the year gone by turned out to be a nightmare for Georgia.

What does the future hold for this country in 2009? A rebound or renewed collapse? The answer to this question depends on what the political, economic and diplomatic domains will bring.

### **A President who is discredited and challenged...**

Presented by the Georgian authorities as an attempted coup d'état paid for by Moscow, the peaceful demonstrations in the streets of Tbilisi on 7 November 2007, and above all the consequences of their brutal suppression forced President Saakashvili to organise an early Presidential election. There was no doubt in his mind that this ballot would provide him with an occasion to demonstrate his popularity. Reelected on 5 January 2008 with greater difficulty than foreseen, with 53.47% of the votes (versus the 96% of voters who rallied to his name four years earlier), President emerged weakened from the voting. The level of participation also followed the same curve. From 80 to 90% in 2004, it now was not more than 56%.

His principal adversary, businessman Levan Gachechiladze, the candidate of the National Council – a coalition bringing together nine parties of the Opposition – obtained nearly 26% of the votes, a score that may be called more than respectable. International electoral observers from the European Union and the OSCE criticised the many irregularities but without satisfying the Opposition, which demanded that the ballots be recounted or that a new election be held.

It was a point of pride of a first half year busy with electioneering that the legislative elections on 21 May 2008 consecrated the surprise and unshared victory of President Saakashvili's party. With 119 seats out of 150, the National Movement enjoys a crushing majority and, above all, has the 2/3 majority required for a possible revision of the Constitution. Criticising the irregularities, twelve elected deputies of the coalition of nine Opposition parties and four from the Labour party refused to take their seats in Parliament. Once again, international observers believe that the authorities failed to prevent or stop a repetition of the irregularities which spoiled the Presidential voting of January 2008.

It only took several days in August 2008 to reduce to zero the advantages which the Georgian authorities had in their hands. In the aftermath of the disastrous military adventure, which was doomed to failure from the start, many observers have begun to openly pose questions about the capacity for judgment of President Saakashvili. At the international level, Georgia has seen the process of its joining NATO frozen for at least a number of years. On the level of domestic politics, between shuffling of ministers, firings and defections, the immediate entourage of President Saakashvili has undergone profound changes.

### **a) The State – it's him!**

Endowed with what may be described as a complex personality, to say the least, President Saakashvili is an impetuous leader who holds strongly to the maxim '*l'État, c'est moi!*'<sup>1</sup> ('The State is Me'). He contributed to undermining the democratic ideal of which he was the champion. With the police brutality of 7 November 2007 and the establishment of a state of emergency, President Saakashvili suddenly appeared, in the view of even his most loyal supporters, like one of the autocrats that he liked to criticise hitherto.

For Scott Horton, an eminent American lawyer specialising in human rights, who was formerly his law professor at Columbia University and is still counted among his friends, *Misha*, – the familiar form of his name that is used by his supporters<sup>2</sup> – *has a certain tendency to authoritarianism.*<sup>3</sup> Salome Zurabishvili, the former Georgian Minister of Foreign Affairs who was fired in October 2005 and then became the head of an Opposition party, confesses that '*President Saakashvili does not accept any criticism and refuses any sharing of power.*' For her, he demonstrates '*a backward looking and Bolshevik mind which does not correspond in any way to a modern and democratic attitude.*'<sup>4</sup>

### **b) Muscular methods**

President Saakashvili easily loses his temper and his reactions illustrate, unfortunately only too well, the character of Georgian political life that is often very brutal but never neutral. This is how at the end of five years spent as head of state, his most loyal supporters, who came, like him, from the Rose Revolution, have deserted the hallways of power, either voluntarily or under pressure. Nino Bourjanadze, former president of Parliament, Zurab Noghaideli and Lado Gurgendidze, former Prime Ministers, Salome Zurabishvili, former Minister of Foreign Affairs, Irakli Okruashvili, former Minister of Defence, Giorgi Khaindrava, former Minister for Resolution of Conflicts, and Irakli Alasania, former representative of Georgia in the United Nations, figure among the most emblematic persons close to Saakashvili who have joined the ranks of the Opposition.

The last one to leave him, on 30 January, Grigol Mgaloblishvili, briefly Prime Minister (since just 1 November 2008) departed officially for reasons of health. However, on the sidelines, no

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<sup>1</sup> Pronounced in 1655 by the young king Louis XIV before the Parliament in Paris.

<sup>2</sup> In Georgia, everybody, even the President, is called by his first name or its diminutive.

<sup>3</sup> In an article by Clifford J. Levy 'Georgia's future looks like more of the past,' *New York Times* of 15 November 2007.

<sup>4</sup> Ibid.

one doubted that for several weeks the climate at the head of the executive was deteriorating. There were insistent rumours, taken up both by the national press and by the international media, concerning a violent dispute during which President Saakashvili physically attacked his Prime Minister and threw a portable telephone aimed at his head.<sup>5</sup>

In what appears to have been a late response to his Western critics, President Saakashvili submitted to Parliament in mid-December 2008 some constitutional amendments intended to strengthen the powers of legislators at the expense of his presidential powers. With a Parliament dominated head and shoulders by his party, he was hardly taking any risks. All the more so as the various ministerial reshuffles spared his black guard, the all-powerful Minister of the Interior, Vano Merabishvili, who has been regularly accused by Sozar Subari, the Ombudsman of the Republic and defender of human rights, of being at the head of paramilitary forces acting outside the law. They also spared Basho Akhalaya, a close associate of Merabishvili who was promoted to Vice Minister of Defence and whose known sadism from the time when he was responsible for the penitentiary system led to murderous mutinies of March 2006.

### **c) Mental health in doubt**

The behaviour of President Saakashvili in the course of the disastrous military adventure which pitted him against Russia and during all the weeks that followed have led many observers to wonder about his mental health. Refusing to acknowledge the evidence of his defeat without recourse, going even to the point of denying it, fleeing his responsibilities and blaming his own faults and errors on his collaborators and on the international community, President Saakashvili seems to be totally disconnected from the hard realities that his country is going to have to confront. In an article in the *New York Times* on 31 December 2008<sup>6</sup>, he said candidly that he still enjoyed undiminished popular support. Shortly before that, on 23 December, he told his fellow citizens that the country was on *'the road to recovery'* and that *'Abkhazia and South Ossetia will be liberated sooner than one imagines.'*

In an opinion poll carried out by the *Caucasus Research Resource Center* soon after the legislative elections of the spring, no more than 26% of Georgians expressed confidence in their political class. By contrast, nearly 35% of them felt that the direction being taken was bad.<sup>7</sup> Asked about their preferences, 27% thought that the representatives of the people should devote more time solving the social problems and more than 36% wanted a change of leaders in the absence of quick and tangible results.<sup>8</sup> Finally, regarding the feeling of whether they were being listened to by their leaders, nearly 38% believe that only mass action can make their demands be heard.<sup>9</sup> It is certain that an identical poll at the start of 2009 would only accentuate these very poor and disturbing results.

In his *Travel Notebooks in Georgia*<sup>10</sup>, Jonathan Littell, author of the *The Benevolent Ones* and special correspondent for *Le Monde*, remarks to his guide and fellow traveler, Kakha Lomaia, secretary of the Georgian Security Council, that many observers and Western leaders think that *'Saakashvili is mad and that one cannot trust him.'* After a long pause for reflection, the reply of Kakha Lomaia was particularly eloquent: *'I understand very well that Misha can disturb people. Objectively, I may say, he is not... a completely balanced person'* (the author notes that this close associate of the President illustrates his idea by a gesture of

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<sup>5</sup>[http://www.rferl.org/content/BREAKING\\_Georgian\\_Prime\\_Minister\\_Resigns\\_For\\_Health\\_Reasons/1376979.html](http://www.rferl.org/content/BREAKING_Georgian_Prime_Minister_Resigns_For_Health_Reasons/1376979.html)

<sup>6</sup> <http://www.nytimes.com/2008/12/31/world/europe/31georgia.html?pagewanted=1&r=1>

<sup>7</sup> <http://crrc-caucasus.blogspot.com/2008/10/public-opinion-on-parliament-in-georgia.html>

<sup>8</sup> <http://crrc-caucasus.blogspot.com/2008/10/public-opinion-on-parliament-in-georgia.html>

<sup>9</sup> <http://crrc-caucasus.blogspot.com/2008/11/weak-state-institutions-weak-social.html>

<sup>10</sup> [http://www.lemonde.fr/europe/article/2008/10/03/carnet-de-route-en-georgie-par-jonathan-littell\\_1102090\\_3214.html](http://www.lemonde.fr/europe/article/2008/10/03/carnet-de-route-en-georgie-par-jonathan-littell_1102090_3214.html)

balance using his two hands). *He is... unpredictable, very emotional. And these are not qualities that I, personally, respect the most in him.*'

### **... and an Opposition that is strengthened but without a programme**

Stunned by a stinging setback less than five months after a presidential election in which it emerged bucked up, the Opposition did not have to wait long to see itself once again relaunched onto the front of the Georgian political stage. The military rout in the face of Russian troops and the economic difficulties have constituted an ideal springboard for its rebound. With as a corollary this time the emergence of two serious heavyweight challengers.

At the start of October 2008, the former president of the Parliament, Nino Burjanadze, an historic figure of the Rose Revolution, who with great noise revealed her profound differences in views with the leaders of the party of the President and refused to participate in the legislative elections of last May, now has submitted to the governmental authorities a list of 43 embarrassing questions on the conflict with Russia.<sup>11</sup> Several weeks later she sent an open letter that is very critical of President Saakashvili in which she says that the political crisis can only be resolved by '*a profound change of the electoral law, the abolition of restrictions on the media and holding early elections.*'<sup>12</sup>

In December 2008, Irakli Alasania, another close associate of Saakashvili, resigned from his post as ambassador to the United Nations. On Christmas Eve, he published a communiqué in which he accused President Saakashvili of being responsible for unleashing the hostilities of August 2008.<sup>13</sup> And he called upon all '*patriots of good will to unit to confront the crisis and restore security, stability and prosperity.*' Observers believe that Irakli Alasania will quickly join the very recent alliance between the Republican Party and the Party of New Rights and that in case of an early presidential election, he would be the candidate of this alliance.

The principal handicap of the Georgian Opposition is that it devotes all of its energy to a single and unique objective, the resignation of Mikhail Saakashvili. Apart from this leitmotiv, it seems to be incapable of formulating the slightest consistent political and economic programme. It would do well to forget somewhat about President Saakashvili and to concentrate on its essential role as a force of constructive counter-proposals. Between a President who can do no more under the Constitution to run again and who realises that he has no sufficiently charismatic heir apparent to succeed him and an Opposition in a rush to take over affairs, the situation appears blocked.

Early legislative elections would result in a Parliament that is much more representative than the present one, which is quasi-monotone, and this would very certainly increase the credibility of President Saakashvili both inside the country and outside. Such elections would represent a major gesture in favour of democracy and would permit a better equilibrium of powers. Pursuit of the dialogue of the deaf between an autistic President and an unrealistic Opposition does not augur well at the threshold of a year which, on the economic level looks to be catastrophic.

### **Chronicle of an economic disaster that has been forecast**

The worldwide economic crisis has amplified the damage suffered by the Georgian economy at the end of the conflict of last August. The analysts predicted a 2.5% growth of GDP in 2009, whereas growth had culminated in 12.5% in 2007 and rose already 8.5% in the course of the first six months of 2008. The national currency has lost 14% of its value against the dollar since September 2008.

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<sup>11</sup> <http://www.civil.ge/eng/article.php?id=19650&search>

<sup>12</sup> <http://www.civil.ge/eng/article.php?id=19825&search>

<sup>13</sup> <http://www.civil.ge/eng/article.php?id=20191&search>

According to a study<sup>14</sup> carried out by the *International Finance Corporation* into the mood of Georgian CEOs, the war of August had a negative impact on 77% of them. This study, which took in more than 400 Georgian enterprises, reveals that the company bosses questioned noted a 3.3% decline of employment, principally in industry, construction and trade. Meanwhile, it shows that instead of an expected 16% increase in revenues, the companies were subjected to an average loss of 23%.

On 11 December 2008,<sup>15</sup> President Saakashvili admitted that the Georgian economy would be confronting a certain number of difficulties in 2009 but he showed himself to be optimistic and said that these difficulties would have nothing in common with what was felt at the start of the 1990s. For his part, the former Prime Minister Zurab Noghaideli predicted a new depreciation of the Lari<sup>16</sup> if the government authorities persist in their present monetary policy.

Stability will be byword for 2009. Even if there is not much hope for economic progress and if it is illusory to envisage, in the near term, a return to territorial integrity, some advances are nonetheless imaginable in these two domains. The conference of backers of funding for Georgia which took place on 22 October 2008 in Brussels was able to bring together the sum of 3.4 billion Euros. This amount, clearly above expectations and in keeping with the estimate of the financial needs for reconstruction and support of the Georgian economy calculated in a joint report of the United Nations and of the World Bank (2.45 billion Euros for the period 2008-2010) should constitute a serious oxygen supply to the economy in general and to the national currency and employment in particular.

The principal problem is to know how this aid will be used. The various international institutions, including the International Monetary Fund, have largely acknowledged the undeniable success of the Georgian economy thanks to the adoption of structural reforms and the implementation of macroeconomic measures intended to improve the business climate. Foreign investors responded favourably to the expectations of the Georgian authorities by injecting capital to the level of 20% of GDP and thereby contributing to a rate of growth that bordered on 12% in 2007 and nearly 40% since 2003.

Despite a recent diversification, the greater part of these investments was limited to work on the energy infrastructures (gas and oil pipelines) and other large scale international projects, at the expense of employment, dynamism and integration. Moreover, military expenditures have jumped since 2003 from 1% of PIB to 7%, thereby '*diverting*' major resources towards unproductive investments when they could have been more beneficial elsewhere on the level of human development. Despite official statistics which state that less than 30% of the population is below the poverty threshold, in reality it is half of the population that is stuck in the vicious circle of pauperisation.

The most urgent challenge for the authorities is to quickly find a solution to the problem of persons displaced by the conflicts by proceeding to work on reconstruction and rehabilitation of housing and infrastructures and by facilitating the employment of these persons in order to improve their living conditions. With around 127,000 persons displaced during the last conflict, added to the 220,000 from the previous conflicts, Georgia must find a viable and durable solution for nearly 6% of its population.

Foreign capital has dried up since the conflict of the month of August 2008. Without a solution to the problem of the displaced, the efforts at political stability and security are unfortunately doomed to failure. And the objective of the IMG – 580 million Euros –to make up for the lack of outside financing and to restore the confidence of foreign investors risks

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<sup>14</sup> [http://www.georgiatoday.ge/article\\_details.php?id=6074](http://www.georgiatoday.ge/article_details.php?id=6074)

<sup>15</sup> <http://www.civil.ge/eng/article.php?id=20120&search>

<sup>16</sup> The national currency.

becoming just a futile gesture. The accent should be put on aid to reconstruction that generates investment and creates employment rather than just humanitarian aid. Without of course ignoring that type of aid, you have to recognise that it encourages consumption rather than investment, that it provokes inflation and that it does not prompt employment.

Improvement of the infrastructures, the creation of small and very small companies and the reform of the public services must constitute the priority for international investments. The Georgian authorities and the backers of funding must target private enterprises in order to facilitate and encourage the hiring of displaced persons. In a general climate of economic slowdown and fear for the future, financial backers will be more and more reticent to invest en masse and without prospects for dynamic and overall development peace will remain illusory.

## CONCLUSION

The EU was propelled forward and successfully onto the front of the Georgian stage thanks to the determination of the French Presidency. It must not be satisfied now with resting on its laurels. The success of European diplomacy last August barely conceals the fact that it *'lost sight of'* two other frozen conflicts – Nagorno-Karabakh and Transnistria – which are potentially explosive and strategically important for Russia, which will not hesitate to take in hand the fate of these two regions if the occasion presents itself.

Since the end of the conflict, Georgia is no longer *'at the top of the list'* on the agenda of international diplomatic priorities. To be sure, here or there the diplomats still are calling, without much conviction, for respect of the territorial integrity of Georgia. At the same time, while EU-Russia relations are resuming their normal course, in the name of *'energetic pragmatism,'* the change of administration in Washington allows us to anticipate a reactivation of American-Russian relations and a relaunch of cooperation over problems that are much higher priority than those of Georgia.

Despite the evident responsibility of the Georgian authorities for unleashing the conflict of the month of August 2008, President Saakashvili persists. He was able to stay in power mainly because he has faced just a disunited Opposition. Without a shift in his extremist position and in his vengeful speeches (saying that the Abkhaz and Ossetians are just pariahs and that the conflict was just the result of Russian aggression) nothing can change. The present situation runs the risk of lasting, with very real prospects of future slippage.

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