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Georgia After the Rose Revolution: An Opportunity Lost?

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The Rose Revolution in Georgia was quickly hailed in the West as a democratic success story, inspiring a series of other “people-powered revolutions,” such as the ones in Ukraine, Lebanon, and Kyrgyzstan.

However, the euphoria surrounding the revolution has given way to the reality that democratic reforms are not progressing as they should. President Saakashvili has had a number of important successes, including police reform and development of market-based solutions to the social protection system. However, there have also been significant problems, including censorship in the media, constitutional changes that reduced the powers of the legislature and the judiciary, and government pressure on business. In many respects, Georgia is at a crossroads between a liberal democracy and the Russian model of so-called “managed democracy.”

In order for Georgia to build a healthy democracy and strong market economy, the government must work with civil society and international partners to develop functional institutions such as property rights, accountability, transparency, and citizen participation in government decision-making. Georgia’s future depends not only on the outcome of elections, but on the ability of both the public and private sectors to build a liberal participatory democracy.

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President George W. Bush's visit to Georgia earlier this year was truly a momentous occasion. It was a confirmation of Georgian sovereignty and independence, something that we had struggled to achieve for centuries. While Georgia is a very ancient country, and it would be wrong to deny that it still has many problems in securing control over all of its territory, it would also be probably safe to argue that our nation has not been this secure in at least 300 years.

The very warm welcome that the president received in Georgia – virtually everyone welcomed the visit and understood its magnitude, including those who are most critical of President Mikheil Saakashvili and his government – is a testament to this and our belief that American support is instrumental to the consolidation of our independence and statehood. At the minimum, the president's visit sent a strong message to Moscow – “Keep your hands off Georgia.” That alone is a tremendous thing.

While Georgia got much of what could have been expected from the successful visit and more, two additional things need to be mentioned.

First, the president's statement on the separatist conflicts was perceived with some misgivings by many in Georgia. President Bush voiced support for the approach that Georgia has been taking in Abkhazia for years - granting regional autonomy. In addition, President Bush and Secretary of State Condoleezza Rice both spoke of the need for Georgia to create incentives for the separatists to reintegrate into Georgia. These incentives must be developed through institution-building and the reform of the market economy, which will strengthen democracy in Georgia. President Bush pledged U.S. support for this effort, and Georgia agrees that an incentives-based approach is the best way to achieve unity and stability.

That said, President Bush was very circumspect in his willingness to involve the United States in the negotiations more directly. Many in Georgia believe that it is naïve to believe that the conflict can be resolved internally, between Georgians and Abkhazians. This approach would protract negotiations that lead nowhere. As developments over the last year have demonstrated – including Moscow engineering the election results in Abkhazia – this is not a conflict that can be resolved internally because it is rooted in a much deeper problem. Thus, those who hold this view argue that Georgia cannot negotiate on its own with Russia, and without direct American and European Union involvement, no serious developments will be forthcoming.

Others have argued that the American approach is not to ignore the conflict, but rather to put it aside while the issue of Russian military bases in Georgia is being considered. Once Russia has withdrawn from Georgia, the Abkhaz issue would be revisited.

The second issue has to do with very limited prodding on part the Americans on the crucial issue of institutional democratic development in Georgia. President Bush, in his radio address prior to his visit to Tbilisi as well as during his speech there, spoke of the fact that democracy is much more than holding elections and that it cannot develop without democratic institutions. Indeed, in his Tbilisi speech, he acknowledged that Georgia needs to build democratic institutions and listed the numerous reforms that Georgia needs to undertake in order to become a truly democratic country. According to the president, a “democratic society” is one “where the rights of minorities are respected, where a free press flourishes, a vigorous opposition is welcome, and unity is achieved through peace.”

Certainly no one could argue with such a remark. Where things get a little more complicated is that the working assumption during the visit seemed to be that Georgia is on the road to such a democratic society. However, this is not necessarily the case.

Georgia's new government undoubtedly has had a number of important successes, including:

- Restoring full control over Adjara, which was the single most important thing President Saakashvili has done in the last 18 months. Very few analysts thought it would be possible to remove Aslan Abashidze from power peacefully. Abashidze, who had ruled Adjara for over a decade with an iron fist, had a very close relationship with Moscow. Indeed, many of us were afraid that Russia would use Abashidze to disturb civil peace in Georgia and cause problems for the Georgian state. As a result, many questioned Saakashvili's constant rhetorical declarations of his willingness to use force in Adjara if necessary in the winter and spring of 2004. However, Saakashvili's tactics worked to the great benefit of Georgia, and he deserves full credit for reincorporating Adjara into the Georgian state.
- Reducing “petty corruption” – that is, the bribes that government bureaucrats collect from ordinary citizens for most basic services, be it issuing a passport or registering the purchase of a home. This has had a direct impact on the lives of many citizens, especially the constant petty corruption practiced by the police. Before, the police used to stop drivers on every corner and demand small bribes. This has now stopped. Meanwhile, the new patrol police has been a huge success and people have been very encouraged by its work.

- Establishing greater fiscal discipline, thus allowing the Georgian government to pay overdue pensions and salaries that had accumulated over the years.
- Resolving to fully privatize agricultural land in Georgia. In the past, land was rented to farmers, who thus had no opportunity to become landowners. Now, the government is moving forward with legislation to privatize the land and to allow those who are renting the land to purchase it. This is a very important step in the creation of a property-owning class, which is essential in a democratic society.

At the same time, in a number of key areas the government has committed itself to fundamental reform. One that I can speak to with confidence is the reform of the social protection system, including welfare, health care, and social security/pensions. The Partnership for Social Initiative (PSI) has been intimately involved in the process of developing these reforms. Thus far, the Cabinet, including the prime minister, has committed itself to a new scheme in these areas, which will be almost fully driven by private, market-based solutions.

These achievements notwithstanding, reforms are being implemented haphazardly, without any development of political institutions, checks and balances, and rule of law. These are crucial for Georgia's success and the possibility of its democratic development. The development of democratic political institutions is the one area where greater prodding on part of Washington, to push the Georgians into the right direction, can be very useful. There are a number of areas in which the institutional development in Georgia since the Rose Revolution has gone awry, including:

1. Consolidation of presidential power

In February 2004, President Saakashvili proposed and received quick approval of constitutional amendments that have dramatically increased presidential powers, creating a Russian-style "super-presidential system." Under the old constitution, which was approved in 1995, Georgia was the only post-Soviet state to have a reasonably balanced government, with the legislature capable of exercising control and oversight over the executive branch. With the changes, the president gained the power to dissolve the parliament and dismiss judges. The parliament was reduced to a rubber-stamping body, rather than an independent and equal branch of government. In the area of local government, the president's powers have also increased dramatically. For example, after

Abashidze's removal, direct presidential rule was instituted in Adjara.

2. Transparency

During 2004 and 2005, the executive branch was the most secretive in the area of spending that Georgia has seen in many years. The state spent hundreds of millions of dollars in 2004 without any legislative authorization and no transparency. Defense is a particularly concerning issue, because defense spending has increased disproportionately over the last 18 months. Increased defense spending is not a problem in and of itself, considering the security situation; the problem is the way by which the money was allocated. In reality, Georgia has two defense budgets. In one budget, the legislature approves the overall budget, but not what that money is used to purchase. When parliamentarians have requested accounting for spending, they have been rebuffed. The budget also provides for an "Army Development Fund," which is little more than a private defense slush fund. It is impossible to determine how much money has gone through the fund in total, let alone the destination of the money.

3. Rule of law.

The government takes pride in "arresting" corrupt former government officials and businessmen, ostensibly as part of an effort to fight corruption. However, the fact is that these individuals were never prosecuted. Indeed, without ever charging them, the state held these individuals in jail for weeks, violating their right to due process. Instead of trying them for their alleged crimes, it released virtually every single one, after these individuals "paid" certain sums of money, ranging from tens of thousands to millions of dollars. Few if any of these men are innocent – the government could have probably proven beyond a reasonable doubt all charges brought against them. However, the government utterly disregarded the requirements of the rule of law in order to shake wealthy individuals for money, creating a two-tiered judicial system – one for those who can afford to pay bribes to the state to be released and another for those who cannot pay. It is important to note that these are not "fines," because the word "fine" assumes some sort of a legal prescription for the payment. The payments in Georgia were never legally authorized or mandated.

4. Private Property.

Private property is completely unprotected, both because the government has shown no respect for the rights of property owners and because there is no institutional mechanism to protect the owners. The courts are fully dependant on the executive branch, which has not advocated the passage of any property rights guarantees.

The result has been troubling. On the most fundamental question of democracy and good governance, the new government has failed to pursue the type of reforms that will make democracy and a healthy market economy possible. This does not mean that the answer is to protest the government and its reform efforts. Unfortunately, due to the so-called “post-revolutionary” euphoria, some perceive any sort of constructive criticism of the new government as being against the government. However, advocates of democracy and of the free market, who try to advance policies that benefit the business environment, realize that working with the government is necessary. Yet, it is also crucial that the Georgian government abide by the basic principles of the rule of law and good governance and work to implement those principles on a wider scale.

The problems that arise because of the lack of an institutional approach to reform can be characterized by the following two examples. Last year, one of the biggest issues in Georgia was to reform the tax system. The taxation system in Georgia has never facilitated an equal exchange between the government and its citizens; that is, taxes have never been something that citizens pay in return for security and service. Rather, as one very prominent businessman described during a meeting with the prime minister, taxes have been seen “a means for the government to collect its share of ownership of private businesses.” From the tax reform process in 2004, a process in which PSI was intimately involved at every step, reformers hoped that this mentality, this approach to taxation, would be changed. Inevitably, change would help improve the business environment, which in turn would facilitate democratic development.

Sadly, the result was very limited change, disguised as “tax reform.” Individual ministers, for example Kakha Bendukidze, pushed for serious changes, as did some parliamentarians. However, decisions were ultimately made behind the scenes with very little transparency, and the result was a tax scheme that really did not change much. The one important change was introduction of the arbitration councils, which were to adjudicate disputes between the Ministry of Finance and the taxpayer. However, after the government lost two cases in arbitration councils, it moved quickly to eliminate the scheme, calling it too favorable to business.

The second example comes from the privatization plan. Unlike the land privatization, which appears to be moving in the direction of creating real owners, the privatization of state-owned enterprises has largely been focused on trying to maximize the income for the state. As a result, negotiations over sales have been done behind closed doors, with no transparency whatsoever. Initially, there was a promise of public sales, but that has not occurred. The biggest sale thus far has been of the Chiatura Manganese Mines for over \$100 million. This was sold, together with the HydroElectricStation, to a Russian tycoon named Alexander Abramov. The reason for a joint sale was never explained. The interesting thing is that before the sale, the government owned only 86 percent of the company, while 14 percent was privately held by institutional investors and individual workers at the company. When the Chiatura Manganese Mines were put on sale, the government never said that it was selling only its own shares. Instead, it put the entire company up for sale, including the shares that were held by private investors. In order to gain control over the 14 percent that it did not own, the government forced the company to go bankrupt, in a scheme that is reminiscent of what happened to Yukos in Russia.

In an interview with Georgian Imedi TV, Secretary Rice made these wonderful remarks: “It is not easy to build democracy, and we understand that it’s not just having luncheons. The president will say that to the Georgian leaders. He’s said it in his speech, that it’s not just having luncheons, it’s building democratic institutions. It means having a strong legislative branch. It means having a strong independent judiciary. It means rooting out corruption in government. It means allowing the economy to be free of too much government interference. These are the foundations of democracy, and along with freedom of speech, freedom of worship, and protection of minority rights - that’s how you build a democracy.”

Such comments are very helpful indeed, and it is very important that both the president and the secretary of state spoke to what democracy actually means for Georgia. However, during the visit the assumption was that Georgia is today actually building a democratic society. In reality, on every one of the issues that the secretary mentioned in her comment, with the exception of minority and religious rights, Georgia’s progress has been stagnant. Thus, the success of Georgia’s democratic project, which must succeed for the sake of the country, is in question. What Georgia requires is greater prodding in the right direction, because constructive criticism from America will be well received in Georgia and will help ensure greater institutional development.

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