

GEORGIA: SLIDING TOWARDS AUTHORITARIANISM?

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GEORGIA: SLIDING TOWARDS AUTHORITARIANISM?

EXECUTIVE SUMMARY AND RECOMMENDATIONS

The government's repressive and disproportionate response to peaceful protests in November 2007 shocked Western capitals, which had viewed Georgia as a beacon of democracy in a region of illiberal regimes. Since the Rose Revolution, however, President Mikheil Saakashvili's administration has become increasingly intolerant of dissent as it has sought to reform inefficient post-Soviet institutions, stimulate a deeply dysfunctional economy, regain the breakaway regions of Abkhazia and South Ossetia and deal with its meddling Russian neighbour. In an attempt to restore his democratic credentials, Saakashvili has called an early presidential election for 5 January 2008, which he is expected to win, but a free and fair election will not be enough to repair the damage. The West should press the government to abandon its increasingly authoritarian behaviour, engage in a genuine dialogue with political opponents and make the ongoing reform process transparent and accountable.

Georgia's young and dynamic leadership came to power in 2003 with great Western goodwill and some tangible support. Having inherited a failing state, the government committed itself to democratic governance and liberal reforms, and actively pursued membership in the European Union (EU) and NATO. It has had significant success in rebuilding moribund institutions and implementing sweeping reforms that have transformed the economy.

Saakashvili's administration quickly found itself dealing with a resurgent Russian neighbour flush with oil money. The Putin government reacted with increasing hostility to Georgia's Euro-Atlantic orientation, particularly its NATO membership aspirations. It has sought to bludgeon Georgia into submission through economic embargoes and supported Abkhaz and South Ossetian secession ambitions. Saakashvili has responded with confrontational nationalistic rhetoric, while seeking to rally Western backing. Many of Tbilisi's repeated accusations of Russian meddling are warranted, particularly with regard to the conflict regions, but claims of Russian involvement in domestic politics, which have been used to justify some of the infringements of civil liberties, are less credible.

The leadership has also cut too many corners. In particular, the concentration of power in a small, like-minded elite

and unwillingness to countenance criticism have undermined its democratic standing. Cronyism is increasingly evident within the senior level of the administration. Checks and balances have been stripped back, justice arbitrarily applied, human rights too often violated and freedom of expression curtailed.

The government's failure to engage constructively with demands of the opposition, civil society and ordinary citizens for transparency, accountability and credible investigations into disturbing cases of official abuse resulted in public protests throughout the country in late October and early November. These culminated in large rallies over six days in Tbilisi and a violent government crackdown on 7 November. Disproportionate use of force against peaceful demonstrators, the violent closure of a private television station and the imposition of emergency rule brought a halt to hitherto unquestioning Western support of the Georgian leadership.

Saakashvili sought to justify his response by labelling the protests as a Russia-inspired attempt to overthrow the government. The authorities charged several opposition leaders with conspiracy and subversive activities and aired television footage which they claimed proved links to Russian espionage. This and subsequent pressure tactics have deepened the rift in society.

Conscious of the damage done to his standing in the West, Saakashvili called a presidential election months before it was due. Seeking to suggest business as usual, he declared that Georgia "passed a very difficult test" and managed to "avert massive bloodshed and civil confrontation", while warning that its foes – read Russia – would try to undermine the election. The government's actions, however, remain troublingly authoritarian: the private Imedi TV was allowed to re-open only the day media campaigning officially started and was not on the air for several more days due to equipment damage; November protesters were arrested or fined; opposition activists continue to be targeted, state resources are being used for Saakashvili's campaign, and the line between the governing party and the state is blurred.

Western friends of Georgia, notably the U.S., the EU and NATO, need to apply concerted pressure on Saakashvili and his administration to correct their increasingly authoritarian course. The U.S. in particular should make clear it supports democratic principles, not a particular regime. It is not enough to say that if the elections are free and fair, Georgia will be back on track. Deeper problems relating to the rule of law, corruption, lack of media freedoms, weak checks and balances and growing economic disparities can no longer be overlooked. Georgia does not face a choice between genuine reform or democratic openness, it must embrace both.

RECOMMENDATIONS

To the Government of Georgia:

1. Ensure that the 5 January 2008 presidential election is free and fair, in particular by providing equal access to media for all candidates and by desisting from using government resources to help the incumbent.
2. Respect media freedom, civil liberties and human rights in substance as well as form, including by stopping widespread phone-tapping of public figures and civil society actors, dissemination of intelligence material to smear opponents, and use of financial investigations and other intimidation tactics against non-governmental organisations (NGOs) and businesses perceived to be critical of the government.
3. Ensure transparency and accountability in the implementation of reforms and pursue open and democratic governance, in particular by:
 - (a) applying the rule of law without arbitrariness and ensuring the judiciary is independent and free from intimidation;
 - (b) engaging in a constructive dialogue with opposition parties, treating them as legitimate participants in the democratic process and ceasing to make unsubstantiated claims about collaboration with the Russian government;
 - (c) strengthening institutional checks and balances, amending the constitution to provide greater parliamentary powers and more effective decentralisation and making adequate resources available to opposition legislators;
 - (d) investigating transparently and impartially all credible allegations of corruption, particularly at the highest levels of government, protecting property rights and reforming the privatisation process to ensure accountability; and

(e) increasing the transparency of the defence budget and ensuring that the prime minister's proposal to reduce defence spending in 2008 is implemented.

4. Explore areas of potential cooperation with Russia, including on trade, transport, border control and fighting terrorism, organised crime and proliferation of weapons and drugs, while refraining from inflammatory anti-Russian rhetoric.
5. Engage in genuine dialogue with Abkhazia and South Ossetia, including about their legitimate security concerns, while avoiding hostile and militant rhetoric and action against their de facto administrations, in particular by not setting aggressively ambitious timeframes for resolution of the conflicts.

To the Government of the Russian Federation:

6. Take steps to improve bilateral relations and cooperation, including by lifting the economic embargoes, ceasing official discrimination against Georgian nationals in Russia and refraining from confrontational rhetoric.
7. Work with Georgia to address security concerns of both sides, while accepting its sovereign right to pursue NATO membership if it wishes.
8. Encourage Abkhazia and South Ossetia to negotiate constructively with Tbilisi.

To the U.S., EU, NATO and the Member States of Both Organisations:

9. Support democratic governance, not a particular regime; apply stringent standards when assessing Georgia's efforts to meet good governance benchmarks; apply pressure, including aid conditionality, if there is more backsliding; and increase support to civil society, the public defender and efforts to strengthen media freedom.
10. Continue to insist on greater transparency in military expenditures and their reduction as a percentage of the overall state budget.
11. Verify rigorously that Georgia is committed to and implementing NATO's values of democracy, rule of law, individual liberty and peaceful resolution of disputes before offering a membership action plan (MAP).

Tbilisi/Brussels, 19 December 2007

GEORGIA: SLIDING TOWARDS AUTHORITARIANISM?

I. INTRODUCTION

Georgia's government came to power following the November 2003 Rose Revolution, which ousted Eduard Shevardnadze as president. By the end of his term, the Soviet Union's former foreign minister had mismanaged the country to the brink of failed statehood. Corruption and cronyism had debilitated state institutions and undermined the economy, and the declared democratic direction was largely a façade. The blatantly rigged 2003 parliamentary election galvanised the opposition's calls for change, and a powerful wave of popular protests carried Mikheil Saakashvili into the presidency.

Saakashvili won 96 per cent of the vote in the January 2004 presidential election, and his support base, the National Movement-Democrats party, secured 67 per cent of the seats in the April 2004 general election.¹ The new government committed to build a strong democratic state with a liberalised economy and reformed institutions. It also pledged to regain control over Abkhazia and South Ossetia, breakaway regions which had declared unilateral independence after conflicts in the early 1990s. Tbilisi embarked on an overtly pro-Western course, declaring its objective of rapid NATO and European Union (EU) membership, while at the same time claiming to want good neighbourly relations with Russia.

Some of Saakashvili's reform efforts were successful. The economy was liberalised, foreign direct investment soared, and revenue collection improved. Small-scale corruption was uprooted from reshaped state institutions. But the young and dynamic government lacked professional staff and expertise. It struggled to ensure coordination and devise middle- and long-term policies. The democratic project benefited from strong political backing and significant financial aid and expert support from the West. However, the new leadership faltered in managing overly ambitious, post-revolution expectations. Impatient to deliver, the government started to cut corners and bulldoze perceived obstacles.

After an unsuccessful campaign to reintegrate South Ossetia in the summer of 2004, relations with Russia plummeted. With the two countries pursuing radically different foreign policy agendas, and with Georgia increasingly irritated by Moscow's support to its breakaway regions, there was a growing number of diplomatic and security disputes. In 2006, Moscow imposed an embargo on important Georgian exports and blocked transport links. Both sides have engaged in crude and hostile rhetoric. The stalemates in the Abkhaz and Ossetian peace processes have deepened.

¹ In the 2004 parliamentary poll, only 150 party list-based seats of the 235-member parliament were contested.

II. THE NOVEMBER CRISIS: A REALITY CHECK

Georgia is still reeling from shock after the use of excessive police force against demonstrators, the violent closure of its main private television and the imposition of a state of emergency on 7 November 2007. The country's friends are also stunned. The campaign period for the presidential election Saakashvili called suddenly for 5 January 2008 was officially launched on 25 November, in an environment where insecurity permeates much of public life. Saakashvili has been busy rallying support with new populist projects, drawing on state resources to boost his chances.² There are six other candidates.

Hundreds of international observers are expected for the election. The U.S. and EU have pledged to monitor the polls as a test of Georgia's commitment to democracy and European values. The country's leadership has failed to convince its people and foreign governments that Russia was responsible for the recent instability. To regain legitimacy and credibility, it needs not only to hold clean elections but also to change how politics are done: increase transparency and accountability, be more open to criticism and dissent, attack high-level corruption and new forms of nepotism, give greater powers to the legislature and judiciary, and ensure that human rights and fundamental freedoms are fully guaranteed.

A. AN INCREASINGLY TENSE POLITICAL ENVIRONMENT

While public discontent and frustration had been steadily growing for at least two years, former Defence Minister Irakli Okruashvili gave voice to much of the popular anger on 25 September, when after launching a new political party, the Movement for United Georgia, he levelled serious allegations of misconduct against President Saakashvili and his government.³ He called "immorality, injustice and oppression of people" the leitmotiv of a regime which resorts to killings as "an ordinary way of doing business",⁴ claimed Saakashvili personally ordered him to assassinate a prominent business tycoon, Badri Patarkatsishvili,⁵ and

accused the leadership of corruption, profiteering and "a fake anti-corruption struggle".⁶ Okruashvili did not provide any evidence, and his explosive claims were vehemently denied by the president and the government.

Okruashvili had been one of Saakashvili's closest associates and a noted hardliner with regard to the breakaway regions.⁷ By late 2006, when he resigned from the government, his growing popularity⁸ had made him the president's only true rival.⁹ In the weeks preceding the launch of his party, several of his allies were arrested.¹⁰ On 27 September Okruashvili himself was arrested and charged with extortion, money laundering, abuse of power and criminal negligence – all allegedly while a minister.¹¹ He was released on bail on 8 October, when he publicly recanted his allegations and pleaded guilty to corruption in a downcast televised speech.¹² On the eve of the 2 November demonstration, he left Georgia for Germany,

made. Many regard the investigations as neither independent nor transparent.

⁶ "Former Georgian Defence Minister Attacks President", *op. cit.*

⁷ From 2003 to 2006, he rose from deputy governor of his home region, Shida Kartli, to prosecutor general, interior minister and defence minister. In summer 2004, he led an aggressive police operation against South Ossetia.

⁸ Okruashvili was popular with the army, especially as his irresponsible statements on conflict resolution increased. His promises to "celebrate the New Year" in (the breakaway capital) Tskhinvali became notorious and may have been behind alleged U.S. pressure on Saakashvili to get remove him in 2006.

⁹ He resigned after being appointed minister for economic development, a clear demotion.

¹⁰ "Georgia: Sacked regional governor arrested on corruption charges", *Mze TV*, 23 September 2007, BBC Monitoring. Okruashvili's successor as the governor of Shida Kartli, Mikheil Kareli, accused of taking bribes and illegally participating in private business activities, was his closest associate. These detentions may well have followed an unsuccessful attempt by the leadership to curtail Okruashvili's plans to run for president by bringing him back into government.

¹¹ "Georgian Ex-Defence Minister Charged with Extortion, Abuse of Office", *Rustavi-2 TV*, 27 September 2007, BBC Monitoring.

¹² He was released on a bail of GEL 10 million (\$6.2 million), which he claimed neither he nor his associates paid. "Georgian Ex-Minister Recants Allegations Against President", *Rustavi-2 TV*, 8 October 2007, BBC Monitoring. The president's office subsequently commented: "The prosecutors have taken all possible steps to confirm that Mr. Okruashvili's confessions were not made under conditions of duress or any other illegal form of pressure or influence. Specifically, the confessions were videotaped from three angles. Meanwhile, on 8 October, in the presence of a Public Defender, Mr. Okruashvili was examined by physicians [from the justice ministry]...He was found to be in good health, with no signs of bodily injury or of narcotics or psychotropic drugs in his system; he made no complaints". "Information note, The Case of Irakli Okruashvili", 16 October 2007.

² As required by law, Saakashvili resigned as president when the campaign officially started, handing the office to Nino Burjanadze, the parliamentary chairperson. However, he will be referred to as president in this report for ease of reference.

³ "Ghia Eteri", talk show, *Imedi TV*, 25 September 2007.

⁴ "Former Georgian Defence Minister Attacks President", *Imedi TV*, 25 September 2007, BBC Monitoring.

⁵ He also challenged the official version of events surrounding Prime Minister Zurab Zhvania's death by gas poisoning in February 2005, about which many conflicting claims have been

where he applied for asylum. From there, in a televised interview on 5 November, he said that he had been pressured to withdraw his charges but that all were true, and he had been forced out of the country.¹³ He was arrested in Germany on 27 November on request of the Georgian authorities but is fighting extradition.¹⁴

Okruashvili's allegations resonated powerfully in society. He is perceived as having been too close to power not to be privy to internal discussions. While his own record is tainted, he aired questions which have long preoccupied the opposition and civil society.¹⁵ Opposition leaders condemned his arrest as "political terror".¹⁶ The protests which followed were not an endorsement of Okruashvili¹⁷ but rather a call for public debate, independent investigations and greater government accountability.

On 29 September, ten opposition parties set up the National Council of the United Public Movement (UPM)¹⁸ and outlined four priorities: parliamentary elections in spring 2008; parity-based election administrations, including party representatives; election law changes; and release of "political prisoners" and "prisoners of conscience".¹⁹ To generate support, the opposition organised rallies in several

regions, culminating in the mass protest in Tbilisi outside the parliament on 2 November.²⁰

In response, Saakashvili announced a number of short-term measures: at least GEL 100 million (\$61.7 million)²¹ in one-time payments for teachers and pensioners and for a state-funded employment program,²² as well as initiatives to strengthen "political culture" and "the culture of political debates". He proposed to lower the electoral threshold for parties to enter parliament from 7 to 5 per cent, somewhat restrict the president's power to dissolve the parliament and extend parliament's term from four to five years, so that presidential and parliamentary elections would be simultaneous. These would be significant measures but were offered without consultation with the opposition, which considered them inadequate.²³

B. THE CRACKDOWN

Protesters began gathering in Tbilisi late on 1 November,²⁴ and some 50,000 to 70,000 crowded onto the main thoroughfare, Rustaveli Avenue, the next day.²⁵ The speeches went on for hours, with opposition figures repeating their four key demands. The well-behaved crowd began petering away in late afternoon. The parliament's chairperson, Nino Burjanadze, met with UPM representatives but no agreement was reached on the timing of parliamentary elections.

¹³ "Irakli Okruashvili: Virtually Half Government Entered Prison to Negotiate", *Interpress News*, 5 November 2007.

¹⁴ "Okruashvili Asked for Asylum", *Moscow Times*, 2 December 2007; also "Court Order for Okruashvili's Detention", *Civil Georgia*, 14 November 2007. The authorities said Okruashvili fled justice.

¹⁵ Crisis Group interviews, Tbilisi, spring-autumn 2007; also "Georgian Politicians Comment on Former Defence Minister's Allegations", *24 Saati*, 26 September 2007.

¹⁶ "Georgian Ex-Defence Minister 'Political' Prisoner – Opposition", *Imedi TV*, 28 September 2007.

¹⁷ Several thousand protesters gathered before the parliament on 28 September, a day after Okruashvili's detention.

¹⁸ "Georgian Opposition Sets Up a New Movement to Oust Current Authorities", *Rustavi-2 TV*, 29 September 2007, BBC Monitoring. It had ten parties: Republicans, Conservatives, Georgia's Way, Freedom, On Our Own, Party of People, Movement for United Georgia, Georgian Troup, Labour Party and National Forum. When the 2008 presidential poll was announced, the Labour Party put up its own candidate, leaving the united opposition with nine parties.

¹⁹ These priorities came from their Saguramo Manifesto of 17 October, "Opposition Outlines Four Major Demands", *Civil Georgia*, 17 October 2007; "Manifesto of National Council of the United Public Movement". The opposition has also demanded release of Irakli Batiashvili, security chief in the early 1990s, who was charged in 2006 with ties to a coup attempt. "Evidence in his case was falsified to such a degree that I consider him a political prisoner", the public defender said. "There Are Prisoners of Conscience in Georgia – Public Defender", *Black Sea Press*, 7 December 2007.

²⁰ "Opposition to Apply to Tbilisi Administration for Permission on Large-Scale Rally", *Caucasus Press*, 22 October 2007. The rally in the western province of Samegrelo on 28 October involved a violent confrontation. Armed men in civilian clothing targeted several key participants, searched their vehicles and tore down flags. At least two opposition parliamentarians were beaten up. "Opposition's Troubled Campaign in Samegrelo", *Civil Georgia*, 28 October 2007.

²¹ The U.S. dollar to Georgian lari (GEL) exchange rate used in this report is 1 = 1.62.

²² "President Saakashvili chairs special cabinet meeting", official website of the president of Georgia, www.president.gov.ge/?l=E&m=0&sm=3&st=0&id=2358.

²³ "President Saakashvili proposes electoral reforms", official website of the president of Georgia, 17 October 2007. Constitutional amendments of January 2007 provided for holding the presidential and parliamentary polls simultaneously only in 2008 as a one-off measure. For detail, see Section IV.C below. For the opposition, more pressing priorities have been to change the current majoritarian "winner-takes-all" system to a proportional one and equal party representation in the election administration.

²⁴ Many protesters travelled in from the provinces, though according to media, authorities closed transport links and used intimidation and other forceful measures to decrease attendance, Crisis Group interviews, Tbilisi, 7 November 2007.

²⁵ Crisis Group estimates based on observations at the demonstrations.

Smaller protests (though still in the thousands) continued in the following days.²⁶ Resentful of the government's failure to engage with their demands, the UPM on 3 November began calling for Saakashvili's resignation. The demonstrators began chanting "step down!" and "go!" – the same words crowds chanted before the parliament four years ago to bring down Shevardnadze.²⁷ Saakashvili made no public comment until a television interview on 4 November, in which he said there would be no concessions to the opposition. He argued that a spring parliamentary election would be risky, because it would coincide with the Russian presidential election and Kosovo status determination,²⁸ and he enraged the opposition by referring to it as a "black, dark force", funded by a "concrete oligarch Russian force" promoting a "factory of lies".²⁹

By 7 November the government had run out of patience with the protests and plans to set up a tent city in front of the parliament. In the early morning hours, police moved in to disperse a group which had stayed overnight and arrested several opposition leaders.³⁰ Riot police were deployed to deal with a large crowd that returned to protest the operation. They employed indiscriminate and disproportionate force to disperse the peaceful demonstration, including tear gas, water cannons, rubber bullets, as well as cutting acoustical devices.³¹ Demonstrators were dispersed twice that afternoon, as police followed them through the city, and military units were brought in.³² Police were seen to chase

and brutally beat protesters, including some who were seeking shelter.³³ According to the government, over 500 people sought medical assistance, largely as a result of exposure to tear gas.³⁴

The media and independent observers were targeted. Georgia's public defender was beaten,³⁵ as were journalists of the independent television station Imedi. Police smashed media equipment, including the camera of a *New York Times* photographer.³⁶ Opposition leaders said police pursued them in the streets to detain them.³⁷ Koba Davitashvili, the Conservative Party leader, was severely beaten and taken to a military hospital outside Tbilisi.³⁸ Later that evening Imedi was forcibly closed as one of its directors dramatically said on air: "Imedi has been the only window through which alternative views were heard in Georgia and beyond...they [special forces] have already come into the broadcasting room...there is noise in the television and something terrible is happening".³⁹ Staff were violently assaulted, much equipment destroyed and film archives pillaged.⁴⁰ The local channel Kavkasia was also closed.

Later that evening Prime Minister Zurab Noghaideli made a short statement announcing that the president had decreed a state of emergency in Tbilisi for fifteen days, with restrictions on the right to receive and disseminate information, to free assembly and to strike.⁴¹ This was

²⁶ There were occasional violent clashes between the protesters, and unidentified armed or masked men. "Protesters Beaten After the First Day of Opposition Rally in Georgian Capital", excerpt from Imedi TV, 3 November, BBC Monitoring.

²⁷ Many political observers thought that Saakashvili may have been able to quickly defuse the situation by addressing the crowd and substantively engaging with their demands. The protests were starting to dwindle after the first few days. Crisis Group interview, civil society activist, Tbilisi, 6 November. The opposition also called for a picket of government buildings and organised a corridor of shame in front of the parliament on 5 November. "Participants of Rally to Launch Picketing of Governmental Buildings Tomorrow", Prime-News, 4 November 2007.

²⁸ "Russia made it clear it planned to recognise Abkhazia and South Ossetia in case of Kosovo's recognition, which in turns means a risk of confrontation". For full text see "Transcript of Saakashvili's Televised Interview", Civil Georgia, 5 November 2007.

²⁹ Ibid.

³⁰ "Georgia: Riot Police Violently Disperse Peaceful Protesters", Human Rights Watch, 8 November 2007.

³¹ Crisis Group observations, 7 November 2007, Tbilisi. The acoustical devices are designed to facilitate crowd control by producing high-pitched sound or ultrasound that creates discomfort (see www.npr.org/templates/story/story.php?storyId=4857417). International experts said the Tbilisi police were inadequately trained to use their modern and recently acquired equipment.

³² "Military Units Dispatched to Downtown Tbilisi", *Interpress News*, 7 November 2007. While the demonstrations started

peacefully, protesters started throwing stones back as the day progressed and the riot police stepped up pressure. A couple dozen police were beaten by protesters, according to official statistics.

³³ Crisis Group observation, central Tbilisi, 7 November 2007. Human rights observers claim up to 100 people suffered severe bodily harm, Crisis Group interview, Tbilisi, November 2007.

³⁴ "Georgian Minister Says 508 People Appeal to Hospital", Public Television Channel 1, 8 November 2007, BBC Monitoring. Human rights workers say at least 600 were hospitalised, Crisis Group interview, Tbilisi, November 2007.

³⁵ "Special Operation on Rustaveli Was Illegal", *Black Sea Press*, 7 November 2007.

³⁶ "Georgia Leader Declares Emergency Over Protest", *The New York Times*, 8 November 2007.

³⁷ Talk show on Rustavi-2, 7 November 2007; also, "Active Members of United Opposition Refuse to Pay Fines", *Caucasus Press*, 9 November 2007. Some opposition members said they considered their detention on 7 November illegal.

³⁸ "I was Kidnapped and Beaten – Opposition Politician", Civil Georgia, 8 November 2007.

³⁹ "Georgian TV Chief Makes Statement before TV Goes off Air", Rustavi-2 TV, 7 November 2007.

⁴⁰ Czech TV interview with Giorgi Targamadze, Imedi TV's chief, 10 November 2007.

⁴¹ "Georgian President declares State of Emergency in Tbilisi", Rustavi-2 TV, 7 November 2007.

subsequently extended countrywide.⁴² All television and radio other than the public broadcasters were suspended.⁴³

The international response was swift. NATO, the EU, the Organisation for Security and Cooperation in Europe (OSCE), the Council of Europe, a number of Western capitals and Moscow all expressed strong concern and called for the emergency to be lifted and media outlets to be re-opened.⁴⁴

Realising significant damage was being done to Georgia's image, Saakashvili moved the presidential elections up months, to broad opposition and international approval,⁴⁵ but he was only prepared to go so far. The emergency was lifted on 16 November,⁴⁶ and all news broadcasts were allowed back on the air, but Imedi remained closed. Its license was suspended for three months and its assets frozen, on the grounds it had incited violent overthrow of the government.⁴⁷ After strong international objections,⁴⁸ the license was reissued on 5 December and the assets unfrozen the next day, with the government citing a need for free media in the pre-election period and lessened "concern that Imedi might again incite violence".⁴⁹

The state of emergency and silencing of Imedi were the most visible forms of the crackdown, but also troubling

are allegations by opposition activists that the authorities have continued to use intimidation against them.⁵⁰ A parliamentarian who recently quit the National Movement (NM) and joined Okruashvili's party addressed a letter to the international community stating that he received threatening phone calls. Dozens of demonstration participants were arrested and fined hundreds of dollars; some were jailed.⁵¹

C. AN ATTEMPTED RUSSIAN COUP?

The government claimed it acted to prevent a Russia-backed coup. In his first address after the protests, Saakashvili said the unrest was linked to Moscow: "Georgia's ill-wishers are quite merry now" because they are interested in portraying it, "despite its success, peaceful development and growing strength", as "a very weak country". He said the government had reliable intelligence that "mass unrest will without fail start in Georgia in autumn", and he had heard "reports that an alternative government was set up in Moscow", and "Saakashvili and his government will collapse by the end of the year...The Russian Federation's foreign intelligence service and its representatives in Georgia have become very active lately...[and have] tried to find support among one radical part of the political parties. Money, special means and instructions have come".⁵²

The interior ministry released audio and video recordings of what it claimed were opposition leaders meeting with Russian agents.⁵³ The chairman of the parliamentary committee for defence and security, Givi Tragamadze, claimed: "Everyone has seen that a large part of our opposition is cooperating with our enemy. These traitors were using ordinary people [protesters] for their dirty tricks".⁵⁴ The government had not planned to release these recordings, he said, but was forced to act, as "a wide-scale

⁴² The government announced at 1am on 8 November that emergency rule extended to the whole country.

⁴³ International broadcasters were not exempt. On 9 November, local cable providers resumed broadcasting international and Russian TV channels which had been disabled for 24 hours, media.ge, 9 November 2007.

⁴⁴ The U.S., for example, sent Deputy Assistant Secretary of State Matthew Bryza to Tbilisi to deliver a clear message that "we want to see the Georgian authorities immediately lift the state of emergency and restore all media broadcasts and the right to peaceful assembly", Department of State, noon press briefing, Washington DC, 13 November 2007. He also reportedly raised a number of cases of interference and harassment of individuals and NGOs, Crisis Group interview, Washington, D.C. December 2007.

⁴⁵ "Georgian Leaders Praise President's Decision on Snap Election", Public TV Channel 1, 8 November 2007. Opposition leader Salome Zourabichvili spoke of an "historic" statement, "a chance to emerge victorious from this crisis".

⁴⁶ This came after Saakashvili said he would not remove emergency rule on "the instructions of foreign friends", "Georgia rejects Western pressure to end emergency rule", Agence France-Presse, 10 November 2007.

⁴⁷ "Georgian Private Imedi TV Deprived of Licence", *Caucasus Press*, Tbilisi, 14 November 2007.

⁴⁸ The U.S., the EU Special Representative (EUSR), and OSCE's freedom of the media representative worked with the government to get Imedi back on the air. Poland's Adam Michnik, who went to Georgia to mediate the issue for the EU, was critical about delays, "OSCE Media Chief Welcomes Imedi Reopening", Civil Georgia, 7 December 2007.

⁴⁹ "Information Note on the Re-opening of Imedi TV", government of Georgia, 6 December 2007.

⁵⁰ Crisis Group interview, Tbilisi, November 2007. Cases of physical or legal intimidation by law enforcers against citizens seen as disloyal to the National Movement have also been reported from outside Tbilisi. See also "Monitoring the Use of Administrative Resources for Election Campaign, Preliminary Report", Transparency International Georgia, 5 December 2007, p. 12. The report cites intimidation of opposition activists through fines, detention and threats of physical harm and dismissal from jobs.

⁵¹ They were possibly identified in footage taken by the interior ministry or from Imedi TV archives. The average income is very low but fines were reportedly up to GEL 2000 (\$1,230).

⁵² "Georgian President Addresses Nation after Unrest in Tbilisi", 7 November 2007, Rustavi-2 TV, BBC Monitoring.

⁵³ "Opposition Leaders Cooperate with Russian Intelligence – MIA", Civil Georgia, 7 November 2007.

⁵⁴ "Opposition Engaged in Crime Against State – Ruling Party MPs", Civil Georgia, 7 November 2007.

attack against Georgia has been declared by Russia today”.⁵⁵ The state of emergency had been declared because there were “very serious signs” there would be “virtually an attempted coup”.⁵⁶

The authorities have been unable to give proof of Russian meddling, and few outside observers believe the claims.⁵⁷ Opposition leader Salome Zourabichvili called Saakashvili’s explanation “a fairy tale”.⁵⁸ Most of the alleged suspects are unlikely Russian agents: Khaindrava, Berdzenishvili and Gamsakhurdia were at the heart of Georgia’s independence struggle,⁵⁹ and the opposition parties to which the latter two belong have been as adamant as the ruling party in calling for Russian peacekeepers to leave the country.

The claim that any communication with Russian diplomats is proof of subversive activity is not credible. The taped conversations were substantively thin, contained no confidential information and should not have been leaked to the media if part of an ongoing investigations. Civil society activists complain phone taps are now widespread and used to implicate opposition or public figures and businessmen.⁶⁰

Even before the demonstrations, Saakashvili had claimed: “One Russian oligarch who has been dispatched to Georgia has directly called on the Georgian public to overthrow the authorities and resort to mass anti-constitutional action”.⁶¹ The billionaire Patarkatsishvili accumulated his wealth in the Russia of the 1990s and has substantial business

interests in Georgia, including Imedi,⁶² which has been a thorn in the side of the authorities since early 2006, when its critical investigative programs first openly challenged them.⁶³ But he is another unlikely Russian agent. He is wanted in Russia for fraud⁶⁴ and known to have close business links with the exiled oligarch, Boris Berezovsky.

Though some speculate that “delivering” Georgia to the Kremlin could re-open Russia’s doors and enable him to have the charges against him dropped,⁶⁵ he said, “I have never concealed that I love Russia, the Russian people and Russian culture. If this is sufficient for me to be branded Russia’s agent, then I am Russia’s agent. The existing junta can accuse anyone in Georgia of anything, seize private property, close down media and smear people”.⁶⁶ He pledged to use all his power and financial resources to free Georgia from Saakashvili and his administration. Soon thereafter, the prosecutor’s office said he was suspected of conspiring to overthrow the government,⁶⁷ and the authorities have been looking closely at his remaining business interests in Georgia.⁶⁸

Three Russian diplomats were expelled after the emergency was declared, and the ambassador to Moscow was recalled for consultations.⁶⁹ Russia responded in kind,⁷⁰ saying the government was engaging in “irresponsible provocations” and “has again supplanted responsible and honest tackling of the numerous internal problems with banal attempts to

⁵⁵ “Georgian Authorities Say Tapes Prove Opposition’s Russia Links”, Imedi TV, 7 November 2007, BBC Monitoring.

⁵⁶ “Georgian MP Says Coup Was Averted”, Rustavi-2 TV, 7 November 2007, BBC Monitoring.

⁵⁷ Crisis Group interviews, Western diplomats, Tbilisi and Brussels, November 2007.

⁵⁸ Rustavi-2 TV talk show, 7 November 2007.

⁵⁹ Giorgi Khaindrava, ex-state minister for conflicts who has been critical of authorities since his dismissal in summer 2006; Levan Berdzenishvili, Republican parliamentarian; Konstantine Gamsakhurdia, Freedom Party leader. The most serious allegations were against Shalva Natelashvili, Labour Party leader, who was sought after 7 November for espionage and conspiracy. On 9 November, however, the general prosecutor’s office said he would not be arrested, merely interrogated. He is his party’s presidential candidate.

⁶⁰ Crisis Group interviews, Tbilisi, September-November 2007. Okruashvili also said the interior ministry taps phones of judges, parliamentarians and officials. “Authorities Bug Telephones of High-Ranking Officials and Judges – Okruashvili”, *Caucasus Press*, 6 November 2007.

⁶¹ “Patarkatsishvili Pledges to Finance Protest Rallies”, Civil Georgia, 28 October 2007. A Republican Party source says it has not received funding from Patarkatsishvili, although others have said his contributions to some opposition parties is very generous, Crisis Group interviews, Tbilisi, early November 2007.

⁶² Patarkatsishvili reportedly invested millions of dollars in the economy. His lawyers say he has “indirect interests” in the large Standard Bank; among others he partially owns the Georgian Glass and Mineral Water Company, producer of Borjomi mineral water, internet provider Telnet, and a large amusement park in Tbilisi.

⁶³ Civil society representatives consider it the only opposition-oriented TV station over the past two years, Crisis Group interview, Tbilisi, spring 2007. Since 2006, according to media experts, it has also been the most viewed.

⁶⁴ “Tycoon Gives Saakashvili’s Foes a Hand”, *Moscow Times*, 12 November 2007.

⁶⁵ Crisis Group interview, government representatives, Tbilisi and Brussels, November 2007; and “Authorities See Tycoon as Political Foe”, Civil Georgia, 29 March 2007.

⁶⁶ “Georgian Opposition Businessman Dismisses President’s Accusations Against Russia”, Interfax, 7 November 2007; and “Authorities Confiscate Mtatsminda Park from Patarkatsishvili”, *Caucasus Press*, 7 November 2007.

⁶⁷ “Patarkatsishvili Suspected in Coup Plot – Prosecutor’s Office”, Civil Georgia, 9 November 2007. Opposition members say the authorities keep quiet about the fact they have themselves long profited from his funding.

⁶⁸ “Patarkatsishvili’s Assets Targeted”, Civil Georgia, 27 November 2007; and “Patarkatsishvili Seeks Return of Assets in Tbilisi Park”, *Civil Georgia*, 12 November 2007.

⁶⁹ “Georgia Recalls Ambassador to Russia for Consultations”, Civil Georgia, 7 November 2007.

⁷⁰ “Russia expels 3 Georgian diplomats in tit-for-tat move”, RIA Novosti, Moscow, 8 November 2007.

attribute everything to ‘external enemy schemes’ and indiscriminately brand dissatisfied people agents”.⁷¹ The Kremlin would undoubtedly be pleased to see Saakashvili replaced by a more malleable figure, but claims of a Russian-backed coup undermine Tbilisi’s credibility and look like an attempt to divert attention from internal problems.

III. RUSSIA-GEORGIA RELATIONS

Bilateral ties are at their worst since Georgia’s 1991 independence. The underlying causes are historical, strategic, geopolitical and emotional. A series of increasingly grave security, intelligence and diplomatic incidents have deepened the rift.⁷²

Georgia has pursued pro-Western foreign policies since at least spring 2000, when Shevardnadze pledged it would “knock at NATO’s door” by 2005.⁷³ This bid, and the West’s willingness to encourage it, increased Russia’s fears it was losing control over its near abroad. Shevardnadze was deeply resented in Russia’s conservative – especially military – circles, which held him responsible for relinquishing parts of the Soviet empire to the West. Russian meddling in the Abkhazia and South Ossetia conflicts since early the 1990s has strongly contributed to Georgia’s antipathy to its former overlord.

A. AFTER THE ROSE REVOLUTION

After his 2004 election, Saakashvili called for a new partnership with Russia based on pragmatism and mutual recognition of shared interests.⁷⁴ As Tbilisi began pushing assertively for the restoration of its territorial integrity, however, first in South Ossetia, relations soured.⁷⁵ Antagonistic rhetoric and brinkmanship continue to increase. Analysts and diplomats consider that personal

⁷² This brief section is meant to provide context for developments in today’s Georgia. A subsequent Crisis Group report will examine the tense bilateral relationship in greater detail and trace its history.

⁷³ “NATO Discusses Cooperation with Georgia”, BBC World Service, 15 April 2000.

⁷⁴ Speech by Mikheil Saakashvili, John Hopkins University, 4 February 2004.

⁷⁵ An anti-smuggling operation was launched in the Georgian-Ossetian zone of conflict in May 2004. The Ergneti market, straddling Georgian- and Ossetian-controlled territories, was a vast trade hub for Russia and the South Caucasus, Crisis Group Europe Report N°159, *Georgia: Avoiding War in South Ossetia*, 26 November 2004, pp. 28-29. A senior official told Crisis Group Okruashvili was responsible for the South Ossetian campaign, but another former senior official emphasised President Saakashvili signed off on the campaign, hoping to replicate the success of the reintegration of Ajara. Crisis Group interviews, Tbilisi, November 2007; and Crisis Group Europe Briefing N°34, *Saakashvili’s Ajara Success: Repeatable Elsewhere in Georgia?*, 18 August 2004. An ex-senior Georgian official told Crisis Group there apparently were strong indications from Putin that Moscow would “help Georgia with the resolution of South Ossetia, but time was needed”, Crisis Group interview, Tbilisi, November 2007.

⁷¹ Statement by Russia’s foreign ministry, 7 November 2007; see also statement by Konstantin Kosachov, chair of the Duma’s committee for international affairs, Itar-Tass, Moscow, 7 November 2007.

relations between Putin and Saakashvili are damaged beyond repair, adding an emotional element to the crisis.⁷⁶

Russia has used its economic muscle to punish Georgia. In December 2005, in what it called a “temporary restriction”, it banned agricultural imports.⁷⁷ A ban on wine and brandy, which followed, was a significant blow as Russia had bought some 87 per cent of the country’s production, worth \$63 million.⁷⁸ In May 2006 Moscow prohibited the import of mineral water, another large export earner. These measures prompted Tbilisi to search frantically for alternative markets, a move it claims was largely successful.⁷⁹

Russia closed the only legal border crossing in July 2006.⁸⁰ It blocked all air, sea, land and railway links, together with postal communications on 3 October 2006 in response to the arrest on 27 September of four Russian officers in Tbilisi for alleged spying.⁸¹ Five days later, in a public ceremony designed to humiliate, Georgia transferred the officers to the OSCE and a Russian plane.⁸² Moscow recalled its ambassador⁸³ and began harassing ethnic Georgians and Georgian nationals in Russia, as well as Georgian-owned businesses and organisations. Since then, Russia has expelled more than 2,300 Georgians,⁸⁴ and intimidation continues. Russia also stopped issuing visas to Georgians, though it partially resumed in May 2007.⁸⁵

Energy politics have also played a major role in the deteriorating relationship. Russia’s dominance over the transit of Caspian oil ended when the British Petroleum-

run Baku-Tbilisi-Ceyhan pipeline opened in 2005.⁸⁶ Its virtual monopoly on natural gas transport westward ended with the first delivery through the Baku-Tbilisi-Erzurum pipeline in January 2007.⁸⁷

Previewing tactics used elsewhere, the state-controlled natural gas company Gazprom increased prices for Georgia from \$62.5 to \$110 per 1,000 cubic metres in late 2005 and demanded the \$12 million debt be repaid.⁸⁸ Tbilisi called this political pressure but Putin insisted it was merely the transition to market prices.⁸⁹ In August 2006 Gazprom announced it would double the gas price to \$230.⁹⁰ After failing to buy elsewhere, Georgia paid \$235 per 1,000 cubic metres, the highest price paid for Russian gas by any former Soviet republic. Then Prime Minister Zurab Nougaideli said, “it wasn’t a commercial price but a political ultimatum”.⁹¹ Georgia is now gradually decreasing its dependence on Russian gas.⁹²

On 22 January 2006, explosions closed two gas pipelines in Russia’s North Ossetia, leaving Georgia without gas for two weeks in an unusually cold winter.⁹³ A high-voltage power line delivering electricity from Russia also suffered an explosion the same day. Saakashvili said, “Georgia is experiencing a heavy sabotage by the Russian Federation”, which he labelled an “unprincipled blackmailer”.⁹⁴ Russia flatly denied responsibility; the foreign ministry said Georgia was inventing an external enemy to blame for its own helplessness.⁹⁵

⁷⁶ Crisis Group interviews, Moscow and Tbilisi, autumn 2007.

⁷⁷ “Russia Restricts Imports of Agricultural Products from Georgia”, *Civil Georgia*, 20 December 2005.

⁷⁸ Russia cited the failure to meet safety and hygiene standards as the reason for this ban imposed on 27 March 2006, “PM: Russia’s Ban on Georgian Wine Unfair”, *Civil Georgia*, 30 March 2006.

⁷⁹ “Georgian President Praises Winegrower’s Resolve, Calls for Unity Amidst Embargo”, press office of the president, 15 October 2007.

⁸⁰ At Zemo Larsis; the official reason was the need to repair the crossing.

⁸¹ The Russian Duma discussed money transfer bans for “certain countries” in times of emergency, “Spy Suspects Handover Ceremony Aired Live”, *Civil Georgia*, 2 October 2006.

⁸² Crisis Group Europe Report N°179, *Abkhazia: Ways Forward*, 18 January 2007, pp. 1-2.

⁸³ He returned to Tbilisi in January 2007, “Georgia: Despite Russian Ambassador’s Return, No Fresh Saffr for Ties With Moscow”, *Eurasia Insight*, eurasianet.org, 23 January 2007.

⁸⁴ “Singled Out: Detention and Expulsion of Georgians”, Human Rights Watch, 1 October 2007. Two people have died awaiting expulsion.

⁸⁵ “Russia Partially Resumes Visas for Georgia”, *Civil Georgia*, 29 May 2007. In July Russia started issuing visas for educational, business, working and transit purposes. “Russia Further Eases Visa Rules For Georgia”, *Civil Georgia*, 19 July 2007.

⁸⁶ There is a pipeline and rail transport to Georgian ports, so some Azeri oil had already been bypassing Russia.

⁸⁷ Crisis Group Europe Report N°187, *Nagorno-Karabakh: Risking War*, 14 November 2007, pp. 8-9.

⁸⁸ “Gazprom, Georgia Discuss Gas Price, debt Repayment”, *Civil Georgia*, 8 September 2005.

⁸⁹ “Putin Comments on Increase of Gas prices”, *Civil Georgia*, 31 January 2006, and “Georgia, Gazprom Fail to Agree on Gas Transit fees”, *Civil Georgia*, 20 December 2005. Prices in Armenia, for example, remained lower.

⁹⁰ *Energy and Commodities Digest*, 24 August 2006.

⁹¹ “Gazprom, Georgia Clinch 2007 Supply Deal”, Agence France-Presse, 22 December 2006.

⁹² As Azerbaijan gas production increases in 2008, the Georgians “will be shifting from Russian to Azeri gas”, reducing the former to about 20 per cent of the total. Adrian Croft, “Interview – Georgia Expects New Azeri Gas Contract Soon”, Reuters, 31 October 2007; and “Russia Resumes Georgia Supplies”, *International Oil Daily*, 31 January 2006.

⁹³ “Georgia Blames Russia For Gas Pipeline Explosions”, RFE/RL, 22 January 2006.

⁹⁴ “Saakashvili Says ‘Blackmailer’ Russia Sabotages Georgia”, *Civil Georgia*, 22 January 2006.

⁹⁵ “Russian MFA: Tbilisi’s Reaction is ‘Hysteria’”, *Civil Georgia*, 22 January 2006.

Border violations, ranging from disputed border crossings to alleged aerial incursions, are another irritant.⁹⁶ In March 2007 the Upper Kodori Gorge in Abkhazia, home to the pro-Tbilisi Abkhaz government-in-exile, was shelled.⁹⁷ Tbilisi blamed Russia and Abkhazia.⁹⁸ In another puzzling incident, in August, a missile was jettisoned from a military aircraft onto Georgian territory near the Georgian-Ossetian zone of conflict but did not explode. Tbilisi claimed “two Russian SU-24 aircrafts violated Georgian airspace, entering more than 75 kilometres into sovereign Georgian territory before launching an air-to-surface precision-guided missile”.⁹⁹

Saakashvili said Moscow thinks “that attacks of this kind will trigger fear and panic in Georgia which in turn can trigger a change in our political course”.¹⁰⁰ Moscow denied involvement, saying, “the missile incident...was organised by those who want to complicate relations between Russia and Georgia”.¹⁰¹ Two international groups of military experts and one Russian investigated. All agreed the incident occurred. The two international groups corroborated that the aircraft flew from Russian to Georgian airspace and said Georgian forces did not have such aircraft. The Russian group disagreed and claimed the evidence was incomplete.¹⁰²

B. COMPETING VISIONS

Russia and Georgia have a range of common interests in energy, trade, transport and border control, as well as

fighting terrorism, organised crime and weapons and drug proliferation. But they pursue incompatible visions of state building and foreign policy. Georgia says Russia is building a new empire.¹⁰³ Russia considers Georgia to be confrontational. “It is perfectly clear that they are trying to hurt Russia as painfully as they can, to provoke it”, Putin said of Georgia’s “anti-Russian policies”.¹⁰⁴

The Rose Revolution, followed by Ukraine’s Orange Revolution, increased Moscow’s perception that control of its near abroad was being contested by the U.S. and EU, as did Georgia’s proactive NATO and EU integration policies. Russia views Tbilisi’s support for democratic projects in other republics of the former Soviet Union as openly hostile.

Georgia’s NATO aspiration is a particular irritant: Russia believes that if NATO reaches its border, state resources and priorities will have to be significantly reshuffled.¹⁰⁵ A parliamentarian observed: “Georgia has got such a geographic location that the U.S. finds it very important to keep their bases or tanks there”, from where it could dominate Russia’s south borders.¹⁰⁶ Moscow analysts largely agree that Russia’s southern flank, bordering the volatile North Caucasus, is a genuine national security concern due to its weakness in Chechnya, violence-ridden Ingushetia and the threat of militant Islam in Dagestan and the Chechess republics. Confidence in Georgia’s willingness to cooperate in keeping these regions under control plummeted following the start of the second Chechen war in 1999, when fleeing Chechens took refuge in its mountains; Tbilisi in turn accused Moscow of bombing the area on several occasions.¹⁰⁷

Georgia’s top priority is to build a strong, viable state, capable of pursuing sovereign choices without requiring Moscow’s blessing.¹⁰⁸ Restoring territorial integrity is

⁹⁶ The OSCE Border Monitoring Mission in 1999-2004 observed and often corroborated claims of border violations, Crisis Group interview, expert, Tbilisi, November 2007.

⁹⁷ Upper Kodori, called “Upper Abkhazia” by Tbilisi, is the only part of Abkhazia not controlled by the Abkhaz de facto authorities. An operation in Kodori on 25 July 2006 aimed, according to Tbilisi, to arrest Emzar Kvitsiani, a militia leader and former presidential representative; Crisis Group Report, *Abkhazia: Ways Forward*, op. cit., p. 16.

⁹⁸ The incident took place on 11 March 2007. The UN Observer Mission in Georgia (UNOMIG) headed a joint fact-finding group, with participation of Russian peacekeepers and the Georgian and Abkhaz sides, which published an inconclusive report. Diplomats said the Russians were not helpful in the investigation; the report did not assign responsibility but hinted Georgian or Abkhaz involvement was unlikely. Crisis Group interview, Tbilisi, April 2007.

⁹⁹ “Statement of the Ministry of Foreign Affairs of Georgia regarding the Act of Aggression against Georgia of 6 August 2007”.

¹⁰⁰ “Saakashvili Calls for Unity, amid Air Attack”, *Civil Georgia*, 7 August 2007. .

¹⁰¹ Interfax, 22 August 2007. He added that “regrettably, there are members in the Security Council who have taken Georgia’s side”.

¹⁰² “Missile Could Be Assembled from Different Part – Russian Experts”, *Black Sea Press*, 18 August 2007.

¹⁰³ Crisis Group interview, senior official, Tbilisi, October 2007.

¹⁰⁴ “Putin: Georgia is pursuing Beria’s policy”, *regnum.ru*, 1 October 2006.

¹⁰⁵ Crisis Group interview, Russian official, Moscow, September 2007.

¹⁰⁶ “Saakashvili Most Likely to Carry Ahead-of-Schedule Presidential Elections – Russian State Duma MPs”, *Black Sea Press*, 27 November 2007.

¹⁰⁷ Refugees from Chechnya fled to Georgia’s Pankisi Gorge, among them fighters. Georgia did not comprehensively tackle the Pankisi issue until 2002, when the U.S. supported an anti-terrorist operation. This was resented in Moscow. At that time, Georgia’s statehood was frail, and some said Tbilisi was ready to allow Chechens to operate in Pankisi in return for payments. Moscow denied any links to bomb attacks on Pankisi and other mountain areas in 2000-2002. “Georgia Reacts To Russian Pressure”, *Jaba Perspective*, vol. xiii, no. 1 (September-October 2000); and “Russia Denies Bombing Pankisi, While Georgia Claims Two Killed”, RFE/RL, 23 August 2002.

¹⁰⁸ Crisis Group interview, senior official, Tbilisi, October 2007.

central to this¹⁰⁹ but Tbilisi maintains that Russia is directly undermining the effort, giving pro forma support to territorial integrity while in effect occupying Abkhazia and South Ossetia and seeking to annex them. Saakashvili has warned Europe “to avoid re-allotment of borders on the principle of the nineteenth and twentieth centuries...to avoid another Yalta or Munich”.¹¹⁰

Georgia sees its NATO candidacy as a means to strengthen the state’s security and reincorporate Abkhazia and South Ossetia peacefully.¹¹¹ Its analysts say Russian officials have bluntly threatened that pursuing NATO membership will mean “things will get very bad”¹¹² and have indicated a change of regime was in the Kremlin’s interest.¹¹³ This has reinforced Georgia’s turn to the West. Foreign Minister Bezhuashvili said, “the appeasement of Russia will bring you no results. If they feel you are weak, they will put you down using your weaknesses”.¹¹⁴ A senior official said that once Georgia receives a Membership Accession Plan (MAP)¹¹⁵ from NATO, “it will be a strong message to the separatists and Russia that Georgia will not be in Russia’s orbit”.¹¹⁶ But some NATO members are wary of inviting Georgia in because they do not want to inherit a conflict with Russia in the Caucasus.¹¹⁷

Until the November 2007 crisis, Tbilisi was confident it would be offered a MAP at the NATO Bucharest Summit in April 2008.¹¹⁸ According to a NATO official, “it would have been an uphill battle” but a winnable one. After the state of emergency, the chances for MAP in Bucharest are

almost nil.¹¹⁹ Tbilisi authorities are trying to reinforce Georgia’s commitment to NATO by including a question on support of membership on the 5 January ballot.¹²⁰ According to an official, the vote would be intended to show Russia that the desire for NATO membership is much more than the ambition of the Georgian leadership.¹²¹ However, such a referendum would be unusual before a state is offered membership and not necessarily helpful.¹²²

C. THE CONFLICT REGIONS

Georgia views the conflicts in Abkhazia and South Ossetia as being principally between itself and Russia. In so doing, it ignores interests and fears of the Abkhaz and Ossetians themselves. Moscow has pursued contradictory policies in the conflict regions and has earned Tbilisi’s distrust by heavy-handed engagement. It plays a paramount role in the negotiation mechanism and peacekeeping efforts in both South Ossetia and Abkhazia. The Georgian-Ossetian negotiations mechanism, the Joint Control Commission, brings together Georgian, Russian, North Ossetian and South Ossetian representatives. Tbilisi, not without cause, perceives this as a format of “three against one” and has repeatedly tried and failed to change it.¹²³

Russian peacekeepers are deployed in both zones of conflict. Formally, it is a Commonwealth of Independent States (CIS) peacekeeping force in Abkhazia but it is exclusively Russian-manned. In South Ossetia, there is a joint peacekeeping contingent – Russian, Georgian and Ossetian battalions of 500 each, under Russian command. Tbilisi considers the presence of Russian peacekeepers on its territory as a direct threat – “the ineffective and biased peacekeeping and negotiating formats contribute to a crawling annexation of Georgia’s territory” – and argues the peacekeepers have failed in their mandate.¹²⁴ It has proposed replacing the Russian peacekeepers with internationals¹²⁵

¹⁰⁹ Crisis Group interview, high-level official, Tbilisi, October 2007.

¹¹⁰ “Time for a Return to Yalta”, *Washington Post*, 10 May 2005.

¹¹¹ Crisis Group interview, senior official, Tbilisi, October 2007.

¹¹² Russia recently said Georgia’s neutrality could significantly facilitate improved relations but this is a non-starter for Tbilisi. Saakashvili recalls 1920 [when Georgia refused a military alliance with the Soviets and maintained its neutrality] but “six months later Georgia was occupied and subjugated again”, “Saakashvili: Georgia has no claims for Sochi, but let others have no claims for Abkhazia”, *regnum.ru*, 25 October 2007.

¹¹³ Crisis Group interview, analyst, Tbilisi, November 2007.

¹¹⁴ “Diplomacy: ‘Do Not Appease Russia’”, *Jerusalem Post*, 25 October 2007.

¹¹⁵ The MAP was launched in April 1999 to give advice and assistance to countries seeking membership.

¹¹⁶ Crisis Group interview, high-level official, Tbilisi, October 2007.

¹¹⁷ Crisis Group interviews, NATO member state diplomats, Brussels, November-December 2007.

¹¹⁸ In May 2006, Georgia’s parliament passed a resolution supporting NATO membership. Later that month, NATO’s parliamentary assembly adopted a resolution noting Georgia’s “significant progress” in implementing the goals in the Individual Partnership Action Plan endorsed in 2004. In September 2006, NATO offered “intensified dialogue”.

¹¹⁹ Crisis Group interviews, NATO and member state representatives, Brussels, November-December 2007. NATO Secretary-General Jaap De Hoop Scheffer said, “the imposition of emergency rule and the closure of media outlets in Georgia, a partner with which the alliance has an intensified dialogue, are of particular concern and not in line with Euro-Atlantic values”, quoted in “Embattled Georgia Leader Pledges Early Vote”, *Associated Press*, 8 November 2007.

¹²⁰ “Georgia To Hold Plebiscite on NATO Membership”, *Civil Georgia*, 26 November 2007.

¹²¹ Crisis Group interview, diplomat, Brussels, December 2007.

¹²² Crisis Group interview, NATO official, Brussels, December 2007.

¹²³ Crisis Group Europe Report N°183, *Georgia’s South Ossetia Conflict: Make Haste Slowly*, 7 June 2007.

¹²⁴ “Basic Principles for Conflict Resolution on the Territory of Georgia”, government non-paper, September 2006.

¹²⁵ An 18 July 2006 parliamentary resolution called for the government to arrange for suspension of the peacekeeping

but the Abkhaz and Ossetians consider the Russian peacekeepers their guarantors, citing Tbilisi's soaring defence budget, militant rhetoric and unwillingness to sign agreements on the non-resumption of hostilities.¹²⁶

Incidents between Russian peacekeepers and Georgian law enforcers in the zones of conflict have become more frequent and risk serious escalation. On 30 October 2007 a violent confrontation occurred during which Russian peacekeepers detained several Georgian policemen in the Georgian-Abkhaz conflict zone. Saakashvili called it a provocation and demanded that the commander of the peacekeeping force leave Georgia immediately.¹²⁷

Georgia insists Russia cannot be an honest broker. It points to Russia's provision of illegal military support to the entities,¹²⁸ and asserts that Russian soldiers and intelligence officers hold high posts in the de facto governments, and Moscow gives direct budget support, as well as pensions and banking services. It gives Abkhaz and Ossetians passports, which facilitates their travel while creating an opportunity to intervene to protect its citizens abroad, should there be need.¹²⁹ Russia also pursues economic interests in the conflict regions. Investment in Abkhaz resorts and businesses not only circumvents Tbilisi but also further complicates property ownership issues in a region from which Georgians fled during the conflict and have not been able to return.¹³⁰

Russia uses its influence over the conflict regions to pressure the Georgian government but also as a bargaining chip in its larger contest with the West. Thus, Putin has repeatedly suggested that if the West recognises Kosovo's independence, Moscow may recognise Abkhazia and South Ossetia.¹³¹

operations and withdrawal of Russian peacekeepers from South Ossetia and Abkhazia. Three resolutions challenged their presence. See www.parliament.ge; and Crisis Group Report, *Georgia's South Ossetia Conflict*, op. cit., pp. 12-13.

¹²⁶ Crisis Group interviews, Tskhinvali, November 2007 and Sukhumi, December 2006.

¹²⁷ "Saakashvili Tells Peacekeepers' Commander to Leave Georgia", Interfax, 30 October 2007.

¹²⁸ The Roki tunnel, connecting Russia's North Ossetia to South Ossetia, is a particularly contentious issue, Crisis Group Report, *Georgia's South Ossetia Conflict*, op. cit., p. 9.

¹²⁹ In July 2006, the Russian foreign minister warned Georgia Russia would protect its citizens in the conflict regions "by all means at our disposal", interview with Sergei Lavrov, "Don't Touch Russians", *Kommersant*, 20 July 2006.

¹³⁰ In October 2006, to Tbilisi's fury, Gazprom began to build a direct gas pipeline from Russia to South Ossetia, two weeks before the de facto presidential elections in South Ossetia. Tbilisi considered it another proof of Russia's intention to annex Georgia's territories. Crisis Group Report, *Georgia's South Ossetia Conflict*, op. cit., p. 24.

¹³¹ Putin's remarks on Kosovo as a precedent for the South

Saakashvili has been making nationalist statements on the conflict regions to bolster his standings since the start of the domestic crisis in September. He has begun to lock himself into unrealistically short timeframes for regaining Abkhazia and South Ossetia. In a speech in Upper Kodori, he said he would solve the Abkhaz problem by the end of his presidency,¹³² a long shot given the negotiation deadlock and non-existent mutual confidence. Since November, his promises have grown more urgent and emotional. In several speeches he said his re-election would be a "major mandate to ensure that we all go back home [to Abkhazia]". In an address to displaced persons, he said, "I want to promise you that in the nearest future... I mean in the next few months, I am not saying years, we, along with the international community, will create conditions for your return to Abkhazia in safety and dignity".¹³³

If the Kosovo status question is resolved in the first half of 2008,¹³⁴ it will further fuel Georgian-Russian tensions. Moscow may not recognise Abkhazia and South Ossetia because of the effect this could have on its own North Caucasus, but it can be expected to increase support to the two entities.¹³⁵ Tbilisi insists the South Ossetia and Abkhazia conflicts will be resolved peacefully, but the deterrent effect of the NATO candidacy on the more belligerent in the government is distinctly weaker now that Georgia is unlikely to be offered MAP in April 2008.

Georgia has been building up its military budget. Total defence spending in 2007 is GEL 1.495 billion (approximately \$922 million)¹³⁶ more than double the

Caucasus had powerful resonance in Georgia's breakaway regions, "Russia: Putin Calls For 'Universal Principles' To Settle Frozen Conflicts", RFE/RFL, 1 February 2006. Saakashvili said in an interview with Georgian journalist Inga Grigolia that Russia's attempt to use Kosovo as a precedent for other conflicts posed "a serious threat" to Georgia, "Lavrov comments on ties with Georgia, Kosovo", *Civil Georgia*, 26 November 2007.

¹³² "I promise you that together we will unite Georgia during my presidency", Saakashvili said, "President Saakashvili opens new road in Upper Abkhazia", official website of the president of Georgia, 29 September 2007.

¹³³ "Georgian President Attacks Russia, Vows to Regain Control of Breakaway Regions" and "Georgia's Saakashvili Promises to Regain Abkhazia by 2009", Public TV Channel 1, 13 and 28 November 2007, BBC Monitoring.

¹³⁴ Crisis Group Europe Report N°188, *Kosovo Countdown: A Blueprint for Transition*, 6 December 2007.

¹³⁵ The decision of the International Olympic Committee to award the 2014 Winter Olympics to the Russian city of Sochi, a few dozen kilometres from Abkhazia, may add to Moscow's motivation for increasing aid to the breakaway territory.

¹³⁶ "2007 State Spending Increased", *Civil Georgia*, 6 November 2007. Crisis Group phone interview, ministry of finance, 19 December 2007.

2006 expenditure of GEL 605 million.¹³⁷ Defence spending in 2007 was originally set at GEL 513 million but shot up after additional allocations during the year.¹³⁸ As a result, in 2007 some 27 per cent of state expenditure went to the military.¹³⁹ The government asserts that these increases must be considered in the context of a previously miniscule military budget, the overall increase in governmental expenditures and the efforts to meet NATO membership standards. Tbilisi also argues that they are necessary because of Russia's increased presence in South Ossetia and Abkhazia.

NATO officials say such expenditures are inconsistent with the overall balanced development of the country.¹⁴⁰ At over 7 per cent of gross domestic product (GDP), Georgia's 2007 defence spending was more than three times the NATO standard guidelines of two per cent.¹⁴¹ The government appears to have recognised that this level of spending is unsustainable. Prime Minister Gurgenzidze, appointed just before the presidential campaign began, has declared there will be a "significant cut" to the planned GEL 922.1 million (approximately \$522 million) defence budget in 2008, which itself was already a large reduction on the budget actually appropriated for defence in 2007. The prime minister said the budget needed "some corrections" to make it "more socially oriented".¹⁴² While reducing the military budget in the 2008 budget is an excellent first step, the government should also avoid making any supplemental defence allocations in 2008.

Restoring territorial integrity is an issue which can distract Georgians from their socio-economic problems, but

Saakashvili has recently sought to link the two. Addressing those who prefer "to take care of their own problems", he said Abkhazia's reintegration would double Georgia's economy within one year, which means "the doubling of all families' income, much more security and much greater prospects".¹⁴³

The U.S. and EU need to press Saakashvili to avoid confrontation in his policies on the conflict regions and strive for genuine dialogue with Ossetians and Abkhaz, which has been dwindling for several years. Tbilisi should not undermine existing conflict resolution formats until new ones are agreed, and it should decrease military spending and militant rhetoric. At the same time, they should continue to insist to Russia that Kosovo is in no way a precedent for the South Caucasus.

Ultimately Russia and Georgia need to find a way to live as peaceful neighbours. Moscow must accept Georgia's sovereign right to choose its alliances, understand the real apprehension about the Russian role in the conflict regions and agree to measures to reduce tension. In turn, Tbilisi must recognise Russia has real concerns about NATO's expansion to its southern border. Moscow and Tbilisi should explore their areas of potential cooperation, while refraining from inflammatory rhetoric.

¹³⁷ "2007 Draft Budget Proposed", Civil Georgia, 10 October 2006. The initial 2006 defence budget was GEL 392.5 million, but it was increased during the year to GEL 605 million. See also International Institute for Strategic Studies, *The Military Balance 2007* (London, 2007), p.166.

¹³⁸ Crisis Group phone interview, ministry of finance, 19 December 2007. For more see the Georgian parliament website at www.parliament.ge/index.php?lang_id=GEO&sec_id=69&kan_det=det&kan_id=2093. The Georgian ministry of defence official website (www.mod.gov.ge) only has figures for the first two supplementals.

¹³⁹ Total expenditure in 2007 was GEL 5.469 billion (\$3.375 billion). Crisis Group phone interview, ministry of finance, 19 December 2007. See also Georgian parliament website.

¹⁴⁰ Crisis Group interview, NATO official, Brussels, December 2007.

¹⁴¹ "Increased Defense Spending Priorities Outlined", Civil Georgia, 9 September 2007. According to the International Institute for Strategic Studies's *Military Balance 2007*, NATO defence expenditure as a per cent of GDP – excluding the U.S. – was 1.80 per cent in 2005. The corresponding U.S. figure for 2005 was 3.97 per cent, while for non-NATO Europe it was 1.43 per cent.

¹⁴² "Georgia to Cut Defence Spending, PM Says", Civil Georgia, 5 December 2007.

¹⁴³ "Saakashvili Says Reclaiming Abkhazia Will 'Double Georgia's Economy'", Rustavi 2 TV, 4 December 2007.

IV. THE CONSEQUENCES OF REFORM AT ANY COST

Saakashvili's inexperienced young government inherited a state with failing institutions and a dysfunctional economy and made creation of a strong state its main priority. In three years Georgia has become an overall economic success, though the effects of unbridled liberalisation have sunk vulnerable groups further into poverty. In its rush to deliver, the leadership has also weakened many institutional checks and balances. The ruling elite has been willing to take shortcuts, arguing that the goal of an effective state required temporary sacrifices of due process. As a result, parliament is compliant, the judiciary compromised, and many rights have been trampled in the name of reform.

The international community – the EU, U.S., and other bilateral donors – have done much to assist Georgia's reform process. Unqualified expressions of political support have encouraged the government, and the explosion of foreign direct investment has provided a solid financial basis to implement change in a variety of fields. The U.S. has given strong political and financial help, including \$732.1 million in direct governmental assistance (2003-2006),¹⁴⁴ \$295 million in Millennium Challenge Corporation aid and a May 2005 visit by President George W. Bush. It has lavishly praised Saakashvili and his administration, avoided public criticism and often extended unequivocal diplomatic backing. The first real hesitation has come with the November crisis.

Europeans have been more measured. In November 2006 Georgia signed a European Neighbourhood Policy (ENP) Action Plan (AP) with the EU and since 2007 has received additional funds to implement a host of projects defined in that document. Priorities include strengthening democratic institutions and respect for human rights and the rule of law, including through reform of the judicial system and penitentiaries.¹⁴⁵

¹⁴⁴ U.S. state department, www.state.gov/p/eur/rls/fs/. Major funding included assistance to the Georgian military: \$64 million, Georgia Train and Equip Program (2002-2004), and \$40 million, Georgia Sustainment and Stability Operations Program (2005-ongoing). For information on U.S. Agency for International Development (USAID) support, see the justification for the fiscal year 2007 budget, at www.usaidgov/policy/budget/cbj2007/ee/ge.html.

¹⁴⁵ http://ec.europa.eu/environment/enlarg/pdf/enp_action_plan_georgia.pdf.

A. THE ECONOMY

Saakashvili's government inherited an ailing economy and a severe budget crisis.¹⁴⁶ Failing institutions were unable to collect revenues, especially from the autonomous republic of Abkhazia. Corruption was pervasive. From 1999 until 2004, it was difficult for Georgia to obtain loans from international financial institutions. Around 50 per cent of the population lived below the poverty level;¹⁴⁷ pensions and state employee salaries were rarely paid.¹⁴⁸

1. Achievements

The new administration successfully built up the economy and combated corruption. It reduced fraud in the management of public funds and minimised revenue leakage.¹⁴⁹ In 2004, when Minister of Economy Kakha Bendukidze said that "everything can be sold, except conscience",¹⁵⁰ it embarked on aggressive privatisation. Revenues increased from 16.2 per cent of GDP in 2003 to 23.4 per cent in 2005.¹⁵¹ Georgia improved its ranking in the list of best countries in which to do business, from 112 in 2005 to 37 in 2006.¹⁵² Among the most visible success stories has been the reestablishment of reliable utilities. Electricity is now available 24 hours a day in Tbilisi and, for the most part, also in the formerly blacked-out rural areas. This has resulted in an unprecedented improvement in living conditions. Infrastructure rehabilitation has included countrywide road improvement.

Economic growth in 2006 was 9.4 per cent, despite Russian embargoes.¹⁵³ During the first six months of 2007 it was

¹⁴⁶ Vladimer Papava, "The Political Economy of Georgia's Rose Revolution", *East European Democratisation*, fall 2006, pp. 660-661. In 1999, the government collected revenue amounting to some 70 per cent of the projected budget.

¹⁴⁷ "Twenty Year Trends for Georgia", World Bank. 55 per cent of the population was below the national poverty line (indicators for 2000-2006).

¹⁴⁸ During the years of the budget crisis, public sector arrears amounted to \$120 million, though monthly pensions were less than \$7. Papava, *op. cit.*, pp. 660-661.

¹⁴⁹ In May 2004 Tbilisi reestablished full control over the autonomous republic of Abkhazia, which was refusing to contribute to the state budget. It also closed the illicit Ergneti market, which straddled the border with South Ossetia.

¹⁵⁰ "Georgia Open to Privatization", *Civil Georgia*, 15 June 2004.

¹⁵¹ "EBRD Georgia Strategy Overview", 21 November 2006, www.ebrd.com/about/strategy/country/georgia/index.htm.

¹⁵² "Doing Business 2007: Georgia Makes an Unprecedented Jump up the Global Rankings", World Bank, 6 September 2006.

¹⁵³ Georgia's main export partners in 2006 in per cent were Turkey 12.7; Azerbaijan 9.4; Russia 7.7; Armenia 7.5; Turkmenistan 7.3; Bulgaria 6.4; U.S. 6; Ukraine 5.8; Canada 5; Germany 4.6. Its main import partners were Russia 15.2; Turkey 14.2; Germany 9.5; Ukraine 8.7; Azerbaijan 8.7. "CIA World

12.5 per cent,¹⁵⁴ and the government anticipates 14 per cent for the year.¹⁵⁵ Inflation was 8.8 percent in 2006¹⁵⁶ but by the end of October 2007 it had reached 11.2 per cent, according to the International Monetary Fund (IMF), which said it would be “difficult to keep inflation in single digits for 2007 as a whole”.¹⁵⁷ The government disagreed, claiming the rate was no more than 9 per cent.¹⁵⁸

Foreign direct investment is responsible for much of the GDP increase. While private capital inflows were projected to exceed \$2 billion in 2007, the IMF has warned that, “the recent political developments add considerable uncertainty to the projected volume of inflows for the remainder of this year and 2008”. One businessman dealing with foreign investment in the banking and construction sectors said the introduction of the state of emergency and the resulting negative publicity in the West had an immediate destabilising effect on his operations.¹⁵⁹

Despite the impressive figures, critics with insider knowledge express some doubts. The department of statistics, which is the source of much of the information, reports to the economic development ministry, and an economist with high-level access said much of the data and many resulting statistics are inaccurate. He dismissed claims that real GDP was growing at nearly 15 per cent in 2007 and insisted inflation is significantly higher than the official 9 per cent.¹⁶⁰

Price increases over the past year have been a source of discontent, as has the lack of job opportunities. Experts say the Russian embargoes have caused prices to soar.¹⁶¹

Fact Book”, at www.cia.gov/library/publications/the-world-factbook/geos/gg.html. The IMF has estimated that the Russian bans would decrease GDP by less than 1 per cent in 2006 and 2007. Zaal Anjaparidze, “Georgian Wine War – Is Hangover More Political than Economic”, *Eurasia Daily Monitor*, 3 July 2006.

¹⁵⁴ “IMF Mission Statement at the Conclusion of a Staff Visit to Georgia”, press release, 13 November 2007.

¹⁵⁵ Crisis Group interview, senior official, Tbilisi, October 2007; also “Georgian President Addresses Nation After Unrest”, 7 November 2007, official website of the president of Georgia. The economic development ministry estimates 12 to 13 per cent.

¹⁵⁶ “IMF Mission Statement at the Conclusion of a Staff Visit to Georgia”, 1 June 2007, at www.imf.ge/view2.php?lang=1&view=290.

¹⁵⁷ “IMF Mission Statement at the Conclusion of a Staff Visit to Georgia”, IMF, press release, 13 November 2007.

¹⁵⁸ Figures from Georgia’s department of statistics, *ibid*.

¹⁵⁹ Crisis Group interview, businessman, Tbilisi, November 2007.

¹⁶⁰ Crisis Group interview, expert, Tbilisi, November 2007.

¹⁶¹ A foreign expert pointed out that the prices of some basic commodities in Georgia proper were double those in the conflict regions supplied directly from Russia. A bottle of

Strained relations with Moscow have also affected the hundreds of thousands of Georgian migrant workers in Russia who support their families by sending remittances home.¹⁶² The prime minister admits that while the situation has improved, at least 25 per cent of the population remains under the poverty line, and 300,000 are unemployed. A significant segment of the population has not benefited from the reforms, and social disenfranchisement threatens cohesion.¹⁶³ Indeed, the government has largely ignored social policies. There is next to no safety net or welfare system, and there have been few state interventions to address the needs of displaced persons, the elderly or the unemployed. State pensions are too low to survive on, although they have increased from the less than \$10 monthly in Shevardnadze times to nearly \$30 and are now paid on time.¹⁶⁴

Over the past four years the authorities have been resistant to any debate on the merits of a more gradual and socially-sensitive process. Some European partners have advised the government to give more consideration to their policies’ effect on the most vulnerable and the need for complementary social policies.¹⁶⁵ Since discontent began to brew in autumn 2007, the government has started to emphasise the need for job creation and social programs, and Saakashvili is standing for re-election under the slogan “Georgia Without Poverty”. Prime Minister Gurgendze outlined new policies, including a plan to further raise pensions and teachers’ salaries and to give one-off financial aid to the unemployed accompanied by business internships and re-qualification courses.¹⁶⁶

vegetable oil cost the equivalent of less than €1 in South Ossetia, the equivalent of €2 in Tbilisi. Crisis Group interview, November 2007.

¹⁶² There are no reliable statistics on Georgian nationals in Russia or Georgians who acquired Russian citizenship. There are believed to be 500,000 to a million migrant workers, refugees from the conflicts of the 1990s and naturalised Russian citizens. Crisis Group correspondence, migration expert, Tbilisi, December 2007. In 2006, remittances amounted to \$365 million. The drop due to Russian sanctions is believed to be mild. “Impact of Georgian Sanctions On Georgian Economy”, International School of Economy Tbilisi paper, at www.iset.ge/docs/Impact%20of%20Russian%20Sanctions%20on%20the%20Georgian%20Economy.pdf. In the first ten months of 2007, remittances from Russia were \$430 million, “Remittances on the Rise”, *Georgian Business Week*, 3 December 2007.

¹⁶³ Prime Minister Lado Gurgendze, German Marshall Fund public presentation, Brussels, 5 December 2007.

¹⁶⁴ Pensions have increased but at \$45 per month, they are “inadequately low”, Crisis Group interview, pensioner, Tbilisi, December 2007.

¹⁶⁵ Crisis Group interview, European Commission official, Brussels, November 2007.

¹⁶⁶ Lado Gurgendze, parliament speech, 22 November 2007, at the official website of the Government of Georgia.

2. Lack of transparency

Rooting out systemic corruption is considered to be one of Saakashvili's great successes. According to the World Bank's Control of Corruption Indicator in 2005, only 39 per cent of businesses reported that corruption hurt their growth, as compared to 60 percent in 2002.¹⁶⁷ Georgia's rating on Transparency International's Corruption Perception Index has improved; it is now ranked 79th out of 180 countries.¹⁶⁸ Most civil servant salaries were increased to reduce susceptibility to small-scale bribery. The reform of the notoriously corrupt traffic police greatly improved internal communication.¹⁶⁹ National-level university entrance exams helped eradicate rampant corruption in the education sector,¹⁷⁰ though professors have argued staffing changes were implemented without objective criteria.¹⁷¹

However, the extra-legal means used to fight corruption in the government's early days created its own problems.¹⁷² Crooked businessmen were prosecuted but allowed to buy their freedom by contributing to non-transparent funds outside the budget. Often those targeted were the second tier of the Shevardnadze clan, who did not benefit from the protection otherwise conferred by proximity to the former president. The government's attitude was summed up by a prominent parliamentarian, who acknowledged that arrests regarded by the international community as extra-legal may be problematic but said they served the greater good of the state.¹⁷³

Most contentious were the Georgian Army Development and Law Enforcement Development Funds, set up shortly after the Rose Revolution to improve military and police capabilities. Information on how they spent their money was available only to the Security Council and a handful of key NM parliamentarians. The Army Fund was closed in April 2006, having spent some GEL 52.5 million (\$32 million), including on construction of a large modern base in Senaki, near Abkhazia. Donations were collected from "patriotic businessmen", which, critics said, were not

always voluntary.¹⁷⁴ The tycoon Patarkatsishvili claimed the funds received contributions in many forms – cars, cash and shares; they were "compulsory payments and almost no business was left which has not suffered from this".¹⁷⁵

Analysts and civil society and opposition leaders interviewed by Crisis Group frequently said that while corruption has been largely eradicated from Tbilisi's streets, it has moved to the highest levels of the ruling elite. Many claimed that a redistribution of wealth and access to resources is underway, with new elites replacing old ones but reverting to old habits of creating profitable access networks based on personal and kinship ties rather than merit.

As noted, ex-Defence Minister Okruashvili's criticism of the leadership included allegations of major corruption, though he produced no evidence.¹⁷⁶ Before he broke with Saakashvili and was arrested and himself charged with extortion and abuse of office, he was one of the president's closest associates, well placed both to know what was happening at the highest levels and to take advantage if so inclined.¹⁷⁷

As shocking and unverifiable as his allegations were, they struck a chord with the public, which seems especially angered by ostentatious displays of wealth. Some officials and NM parliamentarians drive luxury vehicles unaffordable on their salaries. Speculation abounds of personal connections between officials and NM leaders and companies owned by their relatives or close associates, which are said to receive large orders from state agencies, such as the army and police. There are claims businessmen with official ties have obtained especially attractive land at concessionary prices.¹⁷⁸

Some have described a tacit understanding between government and business by which monopolies are

¹⁶⁷ "Georgia Country Report on Human Rights Practices", U.S. Department of State, March 2007.

¹⁶⁸ Its score improved from 2.3 in 2005 to 3.4 in 2007 – well ahead of Russia (2.3 in 2007 and 143rd place), but still well below every EU member state, and on par with Serbia, Morocco and Mexico, "Corruption Perception Index, Regional Highlights Fact Sheet" at www.transparency.org.

¹⁶⁹ Regular checkpoints for the extraction of bribes had significantly impacted on business.

¹⁷⁰ Crisis Group interview, expert, Tbilisi, summer 2007.

¹⁷¹ Crisis Group interview, professor, Tbilisi State University, November 2007.

¹⁷² Crisis Group interview, international expert, Tbilisi, November 2007.

¹⁷³ Comments made at a public meeting in 2004, Crisis Group interview, former diplomat, Tbilisi, November 2007.

¹⁷⁴ "Main Findings and Recommendations of the State Expenditure Monitoring Project", Transparency International Georgia, at www.transparency.ge/index.php?lang_id=ENG&sec_id=215&info_id=266.

¹⁷⁵ "Authorities See Tycoon as Political Foe", Civil Georgia, 29 March 2006.

¹⁷⁶ "Okruashvili to Speak Out, as Tax Inspectors Launch Probes", Civil Georgia, 25 September 2007. The claims have been strongly denied by the president and other senior administration officials.

¹⁷⁷ Other high level governmental officials have been similarly charged. Saakashvili's former head of administration and parliamentary secretary, Dimitri Kitoshvili, known to have been close to Okruashvili, was charged with corruption while in office in late September 2007. "Scandalous Detentions Open Pre-election Season", *Georgian Times*, 1 October 2007. The timing of charges, critics say, has been arbitrary.

¹⁷⁸ Crisis Group interviews, civil society, Tbilisi, spring-fall 2007 and businessman, London, October 2007.

awarded and shares in profits are reserved for officials;¹⁷⁹ others describe a culture of officially sanctioned racketeering.¹⁸⁰ Volunteering support to certain projects in the national interest, such as rehabilitation of Georgian villages in South Ossetia, is considered a way to avoid endless, possibly arbitrary, financial police investigations.

Property rights are frequently violated. Georgia's public defender compared the government's practices to Soviet times and said it was alarming that the authorities "destroy the property of others, or force owners to 'voluntarily' hand over their spaces, or pay 15,000 GEL [approximately \$9,000] to acquire property which [should] cost one million, and then even this sum is never paid".¹⁸¹ In Tbilisi efforts are being made to revamp the old town and other areas with tourist potential but residents reported being forced out of homes without adequate compensation.¹⁸²

The traditional sulphur baths were auctioned off for \$2.21 million, but the public defender said the deal was illegal because the former owner was intimidated into handing over her property to the state.¹⁸³ Imedi aired an investigative

documentary into the turnover to the authorities, allegedly without compensation, of restaurant locations in downtown Tbilisi.¹⁸⁴ The Georgian Young Lawyers' Association (GYLA) has reported on violations of property rights,¹⁸⁵ and there have been cases in which property deeds from the Shevardnadze period were declared void despite the expiration of the statute of limitations.¹⁸⁶

Many privatisations have been conducted in a patently non-transparent manner. The most notorious was the sale of management rights in Georgian Railways to an obscure British nominee company in August 2007, which fell through amid much speculation about who backed the proposed purchaser (see box). A week later, a Swiss-registered company with a capital of approximately \$85,000¹⁸⁷ acquired Tbilisi Water, the water distribution company, for \$85.6 million, despite acknowledging it had no background in the business and in the face of higher offers from much more experienced operators.¹⁸⁸

The Sale of Georgian Railways

In a surprise announcement on 16 August 2007, Economy Minister Giorgi Arveladze gave notice that the rights to manage the national railway company, Georgian Railways, would be transferred to a previously unknown British company, Parkfield Investments Limited. There had been no indication the government intended to privatise the railways and no public tender. It appeared that Parkfield would not pay a fee up front but would be committed to invest at least \$1 billion in the railway system over ten years. In return, it would receive rights to manage and enjoy profits for 99 years.¹⁸⁹

¹⁷⁹ Crisis Group interview, expert, Tbilisi, October 2007. See also "Opozitsia Saakashvili's Ministrebis Biznisinteresebs Shiprav's" ["The Opposition Deciphers Business Interests of Saakashvili's Minister"], *Alia*, 19-20 December 2006, as summarised and posted on the New Rights website, at www.ncp.ge/ge_media_chvens_shesaxeb.php?subaction=showfull&id=1166529042&archive=1170082263&start_from=&ucat=4&.

¹⁸⁰ Crisis Group interview, expert, Tbilisi, November 2007. "Authorities See Tycoon as Political Foe", *Civil Georgia*, 29 March 2006.

¹⁸¹ "Ombudsman Condemns Abuse of Property Rights", *Civil Georgia*, 16 April 2007.

¹⁸² In trying to give Tbilisi a European façade for tourists, the authorities stripped away much charm. By closing food and antiques markets and banning street vendors for not paying taxes, they hurt the economically vulnerable. In July 2007, residents of a thirteen-floor downtown apartment house, next to what is to become the Kempinski Hotel in 2010, were forcibly evicted; demolition started a day later. Occupants told media they had not been approached on compensation; the public defender spoke of "illegal and barbaric" actions. "Dwellers Forced out of Homes", *Civil Georgia*, 21 July 2007. A vote on a draft cultural heritage law setting a GEL 1.5 (approximately \$1) tax per sq. metre for Old City residents, was postponed following a protest outside parliament in April 2007. The opposition claimed it was intended to force residents to sell to investors. "Special Law on Taxes in Tbilisi's Old Town", *Civil Georgia*, 28 April 2007.

¹⁸³ "Tbilisi Baths Sold in Auction", 25 October 2007, Rustavi-2 TV, at http://rustavi2.com/news/news_text.php?pg=&cur_d=&month=10&year=2007&wth=&ct=&id_news=23156. In December 2006, an opposition parliamentarian started a campaign on behalf of a group of business people who allegedly were intimidated into handing over their property to the government, Kakha Jibladze, "Property Right's Row Tarnishes Georgian Government's Image", 21 February 2007, Central Asia-Caucasus Institute Analyst, 21 February 2007.

¹⁸⁴ Tbilisi's mayor has claimed that buildings constructed through illegal and corrupt deals will be destroyed, "Georgia: New Law Pledges to Guarantee Property Rights", *Civil Georgia*, 7 February 2007.

¹⁸⁵ "Rights to Property in Georgia", Georgian Young Lawyers Association (GYLA), 2007, pp. 29-30.

¹⁸⁶ Jibladze, "Property Right's Row", op. cit.

¹⁸⁷ CHF 100,000, according to the Geneva Register of Commerce, at <http://rc.ge.ch>.

¹⁸⁸ The package also included the Mtskheta water supply system, Gardabani sewage cleaning system and Zhinvali hydro power plant and water reservoir. Competing bidders included the French-based Veolia Water, the world's largest private water company; a subsidiary of Spain's Fomento de Construcciones y Contratas (FCC), Aqualia; a consortium of Bank of Georgia and British Biwater Plc's subsidiary, Cascal; and the Czech-Slovak investment group Penta. Reportedly the highest offer was \$107.6 million from Aqualia; others were Penta, \$91.2 million; Veolia, \$75.5 million; and Bank of Georgia/Cascal, \$72.5 million. "Geneva-Based Company Buys Tbilisi Water for \$85.6 million", *Civil Georgia*, 29 October 2007.

¹⁸⁹ The rights were initially said to be for 89 years. "Government Decrees to Hand Over Railway", *Civil Georgia*, 20 August 2007.

The deal was controversial from the start. Parkfield had no prior rail or infrastructure management expertise. It was registered in February 2007, a half year before the announcement. Its sole director was listed as a Cypriot-registered company, Keystone Investments Limited.¹⁹⁰ No details were provided of the investors behind it or of its financial resources. On 20 August a Parkfield spokeswoman said “when all the formalities are done, we will be revealing the investors”.¹⁹¹

Speculation about who was behind the deal was rife in Georgian political circles. Some alleged Patarkatsishvili had agreed with the government to sell his TV station, Imedi, in return for Georgian Railways. He denied this, saying “there is no asset in Georgia worth being swapped for Imedi”,¹⁹² though he later said he declined “numerous lucrative proposals” for Imedi from the authorities.¹⁹³ Some opposition leaders claimed Saakashvili’s family stood to benefit. Giorgi Gugava, a leader of the Labour Party, reportedly said Georgian Railways had been “acquired by President Saakashvili’s family, a clan that rules the country”¹⁹⁴ but he produced no evidence.

Ex-Defence Minister Okruashvili claimed in a 25 September Imedi interview that Georgian Railways had been handed over to Moscow-based Georgian businessman Rezo Sharangia, whom he described as Saakashvili’s “personal treasurer”. He also offered no evidence, and the allegation was immediately dismissed by Saakashvili and the government. He retracted it after his arrest.¹⁹⁵

Ultimately the deal fell through, with officials saying Parkfield was unable to fulfil some of the conditions. On 24 October, the economic development ministry invited international companies to express interest, via its website and an advertisement in *The Economist* magazine.¹⁹⁶

To ensure economic progress is maintained, and the country remains attractive to foreign capital, the government must permit independent investigations into credible allegations of corruption, cease arbitrary disregard of property rights and ensure privatisation and procurement processes are transparent and follow due process. Otherwise, Georgia will soon consolidate its growing reputation as just another state where personal connections are a prerequisite to doing business.

3. Russian investment

Ongoing Russian investment in Georgia is perhaps surprising in light of tense bilateral relations.¹⁹⁷ Russia’s state companies have acquired stakes in strategically important sectors. An economist and parliamentarian cited the purchase of controlling shares in United Georgian Bank, the country’s third largest, by Vneshtorgbank in January 2005¹⁹⁸ and investment of up to \$200 million by the holding group Industrial Investors, which acquired a gold-mine and shares of a gold-alloy manufacturer.¹⁹⁹ In recent years Gazprom, which has significant interests in Georgia,²⁰⁰ tried to buy its north-south pipeline, but talks broke down partly due to U.S. political pressure.²⁰¹

But Russian businesses have kept a foot in Georgia’s energy networks. The giant United Energy Systems has acquired assets and management rights in Georgia’s electricity markets and at the end of 2005, claimed to control 25 per cent of the country’s electricity generation, as well as a share of distribution through the Tbilisi company Telasi.²⁰² It has also invested over \$150 million in rehabilitation of power facilities, mostly in Abkhazia. In October 2007, Georgia began importing about 14.6 per cent of its electricity from Russia through a new deal with

Order no. 423 of the Government of Georgia, 16 August 2007, Prime Minister Zurab Nogaideli.

¹⁹⁰ “Current Appointments Report for Parkfield Investments Limited”, obtained electronically, Companies House, UK.

¹⁹¹ “At Least \$2 bln Needed for Georgian Railway, Investors Say”, *Civil Georgia*, 20 August 2007.

¹⁹² “Patarkatsishvili Denies Swapping Imedi TV for Railway”, *Civil Georgia*, 10 September 2007.

¹⁹³ He gave no details of any proposal, “Patarkatsishvili: Imedi TV Not For Sale”, *Civil Georgia*, 11 October 2007.

¹⁹⁴ “Georgian Party Accuses President’s Family of Secretly Privatising Railways”, *eurasianet.org*, 22 August 2007.

¹⁹⁵ “Okruashvili Ups Ante on Former Allies”, *Civil Georgia*, 26 September 2007. In a taped confession Okruashvili reportedly said of his allegations, “I have no evidence of this and this statement was made just to discredit President Saakashvili”, “Okruashvili Remanded in Custody”, *Civil Georgia*, 29 September 2007.

¹⁹⁶ See www.privatization.ge/spp/spp/news_view.php?lang=en&action=article&news_id=105; and *The Economist*, 27 October 2007, p. 102.

¹⁹⁷ Turkey has, however, supplanted Russia as Georgia’s top trading partner. Georgia’s economic development ministry estimates Russian 2007 direct investment at \$34 million but this may well not reflect the entirety.

¹⁹⁸ Crisis Group interview, economist and parliamentarian, Tbilisi, November 2007; also, “Vneshtorgbank priobriol kontrolnyi paket aktzii Obedinionogo Banka Gruzii”, *news.ru*, 18 January 2005.

¹⁹⁹ Papava, *op. cit.*

²⁰⁰ Russia’s energy monopoly United Energy Systems (UES) took control of around 75 per cent of Georgia’s electricity network in summer 2003. It failed to acquire the Enguri Power station which straddles the ceasefire line in the Abkhaz conflict zone. “Russian Energy Giant Wants to Privatize Georgian Power Facilities”, *Civil Georgia*, 22 July 2004.

²⁰¹ Around this time, Gazprom also more than doubled commercial gas prices for Georgia, see above.

²⁰² Anatoly Trynkov, “RAO UES of Russia: Regional Power Markets Activities”, presentation for Emerging Europe Energy Summit, Vienna, 3-4 November 2005.

UES.²⁰³ The company responsible for gas distribution to its regions is half-owned by Russia's independent gas producer Itera, which controls nine gas grid companies in Georgia.²⁰⁴ The recently-opened Tbilisressi combined heat and power plant (Gardabani) is owned by Energy Invest, a subsidiary of VneshTorgBank of Russia.²⁰⁵

Permitting further Russian investment is a notable exception to Georgia's efforts to limit Moscow's domestic influence.²⁰⁶ Russian direct investment is not in itself a problem for Georgia, and there is significant Russian money also in non-energy sectors,²⁰⁷ but analysts have expressed concern that so many of the deals appear to be linked to Russian state-owned companies.²⁰⁸ A former economy minister called this "de-privatisation" and warned it may entrap Georgia in Russia's new "liberal empire".²⁰⁹ Moscow's apparent willingness to close its military bases in Georgia²¹⁰ may be explained not only by their decreasing strategic relevance but also by confidence it can rely on economic leverage.²¹¹

B. POLITICAL CHECKS AND BALANCES

Institutional reforms have brought many improvements but a serious imbalance between the branches of government remains. The legislature is weak and dominated by the president's party. One of President Saakashvili's first steps was to significantly increase presidential powers at its

expense.²¹² His party, the NM, has a strong majority.²¹³ An independent parliamentarian said it acts primarily as Saakashvili's "notary public", frequently ignoring procedural rules when he wants expeditious approval of a decision.²¹⁴ A diplomat said neither president nor legislators seem to understand the parliament's role in the Western European sense: "the parliamentarians do not seem to feel mandated with a free voice, rather they act as civil servants of the ruling party".²¹⁵

A key election campaign objective of the nine-party united opposition is to convert the presidential system to a parliamentary one.²¹⁶ It maintains that the 2004 constitutional amendments allowed Saakashvili and his inner circle "to usurp power and build a party-state".²¹⁷ Until 2006, opposition members did not receive the resources commonly available in Western parliaments²¹⁸ and due to a combination of inability to work together and institutional weaknesses, they have not been able to obtain a proportionate share of committee chair and deputy chair

²⁰³ Georgia is supposed to export power back in the summer. "Georgia Starts Importing of Electricity from Russia", Interfax, 22 October 2007.

²⁰⁴ In December 2005, Itera-Georgia stopped gas distribution to some Georgian regions in a dispute over unpaid debts.

²⁰⁵ "Georgia President Opens New Gas Turbine Heat and Power Plant", Prime-News (Georgia), 23 January 2006.

²⁰⁶ Minister for Economic Development Kakha Bendukidze, an oligarch in Russia until he joined the government in 2004, is keen to foster these links; he is seen as a lobbyist for Russian business interests. He founded United Heavy Machinery, a Russian-based holding which combined nuclear power machinery, shipbuilding and mining plants. He sold his shares in 2005. "Bendukidze Sells Heavy Machinery Business in Russia", Civil Georgia, 3 November 2005.

²⁰⁷ Russia's VimpelCom launched its "Beeline" mobile phone operation in Georgia in July 2006.

²⁰⁸ There is speculation Kazakh investment, now booming in Georgia, may bring in links to Russian state businesses. Crisis Group interviews, experts, Tbilisi, October-November 2007.

²⁰⁹ Crisis Group interview, Tbilisi, November 2007; also, Papava, *op. cit.*, pp. 660-661.

²¹⁰ In conformity with the 1999 OSCE Istanbul summit, Russia fully closed its bases in Vaziani, Batumi and Akhalkalaki in 2007. Nevertheless Tbilisi claims that Russia still occupies the Gudauta base in Abkhazia, which Moscow denies.

²¹¹ Crisis Group interview, former senior official, Tbilisi, November 2007.

²¹² Saakashvili gained power to dissolve parliament and call new elections. Parliament lost the right to dismiss the prime minister in a no-confidence vote. "Constitutional Changes Approved", Civil Georgia, 7 February 2004; and Irakly Areshidze, "An Opportunity Lost? Constitutional Changes in Georgia at the Start of the Saakashvili Presidency", Partnership for Social Initiatives (PSI), Centre for International Private Enterprise (CIPE), 26 February 2004. These amendments included most of the changes Shevardnadze had been unable to obtain since 2001 and which the pre-revolution Saakashvili had vigorously protested.

²¹³ The parliament is elected through a mixed system and currently has 150 members elected proportionately on party lists and 85 elected directly (ten seats are unfilled and reserved for the conflict regions). The total number of seats will be reduced to 150 in 2008 (100 party list and 50 majoritarian). Currently, the NM faction has 128 seats and can count on the support of a further 20 members; the opposition has 45 seats in total. The rest claim to be independent or undecided. Crisis Group interview, diplomat working with the parliament, Tbilisi, November 2007.

²¹⁴ Crisis Group interview, parliamentarian, Tbilisi, November 2007.

²¹⁵ Crisis Group interview, international expert, Tbilisi, October 2007.

²¹⁶ Levan Gachechiladze is standing for president on the understanding that Salome Zourabichvili, a former foreign minister, would become his prime minister, and they would jointly try to achieve this change.

²¹⁷ Crisis Group interview, opposition activist, Tbilisi, October 2007.

²¹⁸ Parties that win more than 4 per cent of the vote in parliamentary elections and at least 3 per cent in the most recent local elections have received proportional funding since 2006. For amounts received in the present parliament, see "Political Parties in Georgia: Issues of Party Financing", Transparency International Georgia, at www.transparency.ge. The opposition has criticised a number of party financing issues and the transparency of implementation but the matter seems to be a rare good example of inter-party dialogue.

positions, and speaking time.²¹⁹ The chairperson and both vice-chairs are associated with the ruling party. All but one of thirteen committee chairs, and an overwhelming majority of deputy chairs, are associated with the NM.

A small group of NM-associated parliamentarians act more like the executive's spokesmen and appear to have more influence than many ministers. Giga Bokeria, deputy chair of the legal issues committee, Givi Targamadze, chair of the defence committee, his deputy, Nika Rurua, and NM faction leader Maia Nadiradze are among the most prominent deliverers of the government line, often before any official statement from the executive. This was particularly so during the November protests, but since the launch of the presidential campaign, their public profile has gone down dramatically. Drafting of most important legislation is mainly controlled by three NM associates, Bokeria, Pavle Kublashvili and Mikheil Machavariani,²²⁰ who are part of the president's inner circle, with inevitable negative impact on the independence of the parliament from the presidency.²²¹

While political parties in general are weak,²²² the NM has a powerful network at all levels of society but seems to lack internal democracy. Support for it is encouraged by use of state resources. Party loyalists hold most key positions in public institutions, from schools to courts to hospitals, and the threat of losing employment makes civil servants compliant.²²³ State universities are an example. Students and professors confirm NM control of student unions, through which funds for activities are channelled. Union leaders explain they have "corporate" mobile phone subscriptions, which they can use to mobilise support within minutes for government policy.²²⁴ A student said that especially in smaller cities students understand that withholding support can have consequences for academic records or access to benefits such as stipends, free concert tickets or trips.²²⁵

If the government wants to give its democracy rhetoric substance, it must strengthen the capacity and the credibility of parliament. However distasteful it may be to the ruling party, this requires ensuring a well-resourced opposition with a redefined status, including more speaking time and committee chairmanships with greater power. The long-promised constitutional reform should ensure more balance between the executive, legislature and judiciary, as well as between central and local authorities.

C. THE PRESIDENTIAL ELECTION

The authorities are painfully aware that ensuring the January 2008 election is truly free and fair is crucial and stress they will do everything necessary. The government says it has invited over 700 international election observers.²²⁶ The Office for Democratic Institutions and Human Rights (ODIHR) of the OSCE will send 300²²⁷ and the parliamentary assembly of the Council of Europe 30.²²⁸ A number of local organisations will also observe the poll but challenges abound. By advancing the election to January, Saakashvili gave the elections administration and the fragmented opposition less than two months to prepare, at a time when some of the latter's leaders were facing sedition charges and its supporters were claiming harassment.²²⁹

1. The campaign

Parliament confirmed the 5 January date of the presidential election only on 25 November²³⁰ but Saakashvili had been out campaigning outside Tbilisi since 8 November.²³¹ There are six other candidates: the UPM parties have joined behind

²¹⁹ A formula granting minority status to the parliamentary opposition exists but experts say it is structured so that in practice the splintered opposition has been unable to benefit from it, and it is being changed. Without the official minority status, the does not get a proportional allocation of committee chair or deputy chair positions. The system for allocating speaking time also needs reform. Crisis Group interviews, diplomat, Tbilisi, October and December 2007.

²²⁰ Bokeria is deputy chairman of the legal issues committee and a member of the defence committee. Kublashvili chairs the regional policy, self-government and mountainous regions committee. Machavariani is the vice-speaker.

²²¹ Crisis Group interview, diplomat, Tbilisi, October 2007.

²²² They are largely networks around one or a few influential leaders. There is almost no understanding of parties as platforms to mobilise citizens around specific issues, interests and policies.

²²³ Crisis Group interview, civil servant, November 2007.

²²⁴ Crisis Group interview, Tbilisi, October 2007.

²²⁵ Crisis Group interview, September 2007.

²²⁶ "Upcoming Presidential Elections on 5 January 2008, Frequently Asked Questions", information note distributed by the government, 13 December 2007.

²²⁷ On 6 December 2007, the mission's long-term team arrived to monitor the campaign.

²²⁸ "PACE monitors lay out pre-election observations", Civil Georgia, 7 December 2007.

²²⁹ "Opposition Candidate for Post of President of Georgia Blamed Saakashvili for Terror of His Political Opponents", *Black Sea Press*, 21 November 2007. Gachechiladze claimed there have been at least 1,000 arrests in the aftermath of the protests but little information is available due to lack of independence of the media. A human rights worker confirmed there have been reports of intimidation and legal and physical abuse against ordinary citizens as well as government critics outside Tbilisi. Crisis Group email correspondence, Tbilisi, November 2007.

²³⁰ "Georgian President Resigns Ahead of 5 January Snap Election", *Kavkas Press*, 25 November 2007, BBC Monitoring.

²³¹ Crisis Group observation and interview, diplomat, Tbilisi, December 2007.

Levan Gachechiladze.²³² the tycoon Badri Patarkatsishvili is standing, as are Shalva Natelashvili (Labour), David Gamkrelidze (New Rights), Gia Maisashvili (Future Party) and Irina Sarishvili (Hope Party).²³³

Experts are concerned about the short timeframe and the readiness of the Central Election Commission (CEC), which in November took in seven political party representatives to allow for greater inclusiveness. Until very recently, the election administration did not appear to enjoy a high level of public confidence.²³⁴ Nevertheless, preparations appear well underway.

A key concern is the lack of a clear dividing line between state activities and the political campaign, reinforcing the advantage of the incumbent. Saakashvili used the last days before formally leaving office to stand for re-election to pass a range of populist measures, aimed at under-privileged groups.²³⁵ Up to 3,000 prison inmates were amnestied or offered sentence reductions; farmers were promised tax exemptions in 2008; an increase in pensions and teachers' salaries was announced, and vouchers for food, electricity and firewood were distributed. The vouchers are marked as "presidential gift" or "presidential subsidy" and at times distributed by NM affiliates, who invite votes for Saakashvili.²³⁶

Transparency International, which is monitoring misuse of administrative resources, notes that none of these expenditures were in the 2007 budget or the 2008 draft budget as of 30 September,²³⁷ and most reverse highly controversial recent governmental policies. Particularly outside Tbilisi, officials have been campaigning without drawing a line between their professional and party

duties.²³⁸ The International Federation for Human Rights (FIDH) has expressed concern about the environment of the campaign, notably the continued harassment of the opposition.²³⁹

Intimidation of opposition supporters by officials or the NM has been reported, though the head of Saakashvili's campaign, State Minister Bakradze, strongly denies the accusations, saying they are opposition attempts to discredit the elections.²⁴⁰ Civil society representatives claim employees of state-funded institutions are threatened with loss of jobs if they do not vote for Saakashvili. Experts close to the military have said that while the constitution prohibits campaigning in the army, both soldiers and police are being pressured to support the incumbent.²⁴¹

A free and fair election requires equal media access for all candidates. Imedi was off the air until 12 December. While the CEC says it will hire a media monitoring company to ensure equal allotment of air time, many observers believe all other channels, including the commercial Rustavi 2, are favouring the government and Saakashvili. During the state of emergency, the public broadcaster aired live broadcasts of hour-long meetings between Saakashvili and teachers, sportsmen, pensioners and other social groups,²⁴² as well as anti-Russian materials tainting some opposition figures. Transparency International points out that up to 28 November, no television station had provided live or full taped coverage of any other presidential candidate meeting with constituencies.²⁴³ Media monitors assess that Saakashvili and key ruling party members had more than

²³² Salome Zourabichvili would become his prime minister; as the UPM has pledged to change Georgia's presidential system to a parliamentary one, a vote for Gachechiladze would equally be a vote for her.

²³³ "Upcoming Presidential Elections", op. cit. Thirteen candidates filed paperwork to stand for the presidency but six failed to collect the required 50,000 signatures.

²³⁴ OSCE/ODIHR, NAM, op. cit., p. 2.

²³⁵ Transparency International notes that the use of administrative resources for campaigning purposes is not necessarily illegal, but such ambitious projects can create a significant advantage for the party in power. See also "Election Observation Mission Final Report, Georgia Municipal Elections 2006", OSCE/ODIHR, 20 December 2006, p. 1.

²³⁶ Crisis Group interview, civil society activist, December 2007. Transparency International Georgia reports additional gifts were offered for support of Saakashvili, "Monitoring the Use of Administrative Resources", op. cit., p. 11.

²³⁷ "TI Georgia Announces Preliminary Results of Monitoring of Misuse of Administrative Resources During Pre-Election Campaign", Transparency International Georgia, 5 December 2007.

²³⁸ Ibid. There are legal provisions for heads of state executive agencies to participate in the campaign. On 5 December, David Bakradze, state minister for conflict resolution, was appointed speaker of the Saakashvili election headquarters and temporarily turned over official duties to his deputy. "Bakradze Appointed Speaker of Saakashvili's Election Headquarters", Prime-News, 5 December 2007.

²³⁹ FIDH, press release, 7 December 2007. It cited a severe beating of a Patarkatsishvili supporter on 26 November.

²⁴⁰ "Bakradze Appointed Head of Saakashvili's Election Campaign", PrimeNews, 5 December 2007.

²⁴¹ "Georgian government said to put pressure on army, police ahead of election", *Rezonansi*, 7 December 2007, BBC Monitoring; also "'State Employees Under Pressure Ahead of Polls' – MP", Civil Georgia, 20 November 2007.

²⁴² The Public Broadcasting Company has an internal code of conduct and special monitoring unit which aim to insure that all election subjects have equitable time. It plans to allocate free air time and to conduct a series of issue based debates. OSCE/ODIHR, NAM, op. cit., p. 8.

²⁴³ "Monitoring the Use of Administrative Resources", op. cit., p. 3. Arguably, however, it is only from the moment of registration that candidates have the right to allocations of electronic media time, OSCE/ODIHR, NAM, op. cit., p. 7.

three quarters of the political air time during the emergency rule.²⁴⁴

2. Incomplete electoral reform

Shevardnadze's fraudulent November 2003 parliamentary elections triggered the Rose Revolution and underlined the need for complete reform of the electoral system. Changes since then have been substantial. The election code has been amended more than ten times.²⁴⁵ The OSCE and the Council of Europe have commended significant improvements in all subsequent elections.²⁴⁶ In particular they welcome the CEC's enhanced professionalism; increased efforts to ensure participation of national minorities; improved training for lower-level election officials; and increased ballot secrecy.²⁴⁷ The voting process has improved, and ballot stuffing and other election-day fraud are now rare.

However, significant problems remain. While governments in many democracies maintain the freedom to set election dates to their party's advantage, this has been done in Georgia in a particularly egregious way. The 2006 local elections were called with the shortest possible notice, after the presidency had indicated they would be much later, thus undercutting opposition efforts to form a coalition.²⁴⁸ The principal opposition demand leading up to the November protests concerned the timing of the 2008 presidential and parliamentary elections. Following the 2004 elections, the next parliamentary elections were scheduled for spring 2008, with the presidential poll to follow in April 2009. But in late 2006 Saakashvili proposed constitutional amendments which provided for both to be held between 1 September and 31 December 2008.

The effect was to reduce his presidential term by a few months,²⁴⁹ while extending the parliament's term by several.²⁵⁰ The opposition cried foul, viewing this as an

attempt to consolidate Saakashvili's and the NM's power. Usupashvili, the Republican party leader, called it "a way to Turkmenise Georgia"²⁵¹ and said Saakashvili was driven by fear the opposition was overtaking the NM. Many observers agreed Saakashvili was increasingly concerned he might lose his overwhelming majority if the parliamentary election was in spring 2008, thus making his expected second term more difficult.²⁵²

The government offered no convincing justification for the new dates. Its stated reason, echoed by the NM, was that tensions with Russia could lead to "serious provocations" by Moscow, particularly in the lead-up to that country's presidential election.²⁵³ The risk, it claimed, was that Georgia's elections "could fall victim to Russia's election machine". Opposition parliamentarians challenged the use of Russia as justification for a delay: "Democracy should not become an alternative to independence.... Soon you will face a choice: democracy or to retain power".²⁵⁴ The date of the next parliamentary elections is now to be decided by a plebiscite at the same time as the January presidential elections.

The opposition has also been concerned about CEC composition. The government had turned it into a professional body that no longer included party representatives. International experts were generally supportive, but it would be difficult to ensure the impartiality of a CEC whose members were all appointed by the president and the parliament he controls.²⁵⁵ The new CEC head, named in October 2007, is not affiliated with a party but is said to be close to the NM leadership.²⁵⁶ As part of its concessions to the opposition after the November protests, however, the NM agreed to amend the election code to

²⁴⁴ Crisis Group interview, media expert, November 2007.

²⁴⁵ The unified Election Code was adopted in 2001, amended in 2002 and twice in 2003. "Joint Opinion on the Election Code of Georgia", ODIHR/Venice Commission, 16 June 2006.

²⁴⁶ Since the Rose Revolution, Georgia has held an extraordinary presidential election, 4 January 2004; parliamentary elections, 28 March 2004; elections to the Supreme Council of Ajara, 20 June 2004; and municipal elections, 5 October 2006.

²⁴⁷ OCSE/ODIHR reports on the above elections.

²⁴⁸ "Election Observation Mission Final Report", op. cit., p.1.

²⁴⁹ It was due to expire in April 2009.

²⁵⁰ These amendments also set a new date for elections to the legislative body of the Autonomous Republic of Ajaria. They slightly limited the president's power – he no longer has the right to appoint or dismiss judges or chair the Justice Council, a body overseeing the judiciary. This part of the reform was welcomed by the opposition

²⁵¹ "Constitutional Amendments Proposed", Civil Georgia, 24 October 2006.

²⁵² According to opposition activists, Saakashvili made clear it would be disastrous for Georgia in its current situation to have a president and parliament representing different political forces, thus fuelling suspicions the decision was made to secure a double victory.

²⁵³ Some said the dates were meant to block the troublesome Okruashvili, who then looked like a serious contender. He reaches the minimum age of 35 in November 2008. Crisis Group interview, ex-diplomat, Tbilisi, December 2006.

²⁵⁴ "Amendments Set Elections for Late 2008", Civil Georgia, 24 October 2006. The Council of Europe's Venice Commission warned that political reasons were not sufficient justification for prolonging a sitting parliament.

²⁵⁵ Since amendments to the election code in 2005, central and district election commissions are composed of civil servants selected in a competitive process. While the CEC process formally followed the rules, some pre-selected, unsuccessful candidates were blatantly under-qualified. Crisis Group interview, international expert, October 2007.

²⁵⁶ Crisis Group interview, civil society activist, November 2007.

allow party representation.²⁵⁷ Six main opposition parties – Labour, Conservatives, Republicans, Industrialists, New Rights and Freedom – each appointed one member in November.²⁵⁸ In past elections the failure of election commissions to maintain appropriate distance from candidates caused serious concern.²⁵⁹

The November amendments also endorsed supplemental voters lists, which will allow for registration on election day. The UPM and the main domestic election monitoring group are very critical of that practice, which has been problematic in the past.²⁶⁰ If the CEC is confident that inconsistencies in the voters lists have been corrected, there should be no election-day updating.

D. RULE OF LAW

1. Undermining judicial independence

The government has taken important steps to tackle judicial corruption but some measures have undermined the courts. In 2004 the president was given temporary constitutional power to dismiss and appoint judges.²⁶¹ This proved largely effective in addressing corruption but created an environment in which it was easy for the government to intimidate judges.²⁶² The Supreme Court has been

completely overhauled, with 21 of 37 justices resigning under government pressure.²⁶³ Nine members of that bench refused to resign and were subjected to disciplinary proceedings, which resulted in their removal.²⁶⁴ Several claimed the chairman of the court tried to instruct them how to rule in cases in which the authorities had a stake.²⁶⁵ “Approximately 75 per cent of all judges have been removed since November 2003 [and March 2006]; of this total some 30 per cent... have been dismissed”.²⁶⁶

The public defender says the most common complaint he receives is about court decisions.²⁶⁷ Judges often yield to pressure or even intimidation from an aggressive prosecution (with government support).²⁶⁸ The overhaul of the Supreme Court gave the entire judiciary a message that political loyalty is required.²⁶⁹ One result was a significant reduction in acquittals from 2005 to 2006.²⁷⁰ Public trust in fair and independent justice is next to non-existent.²⁷¹ Another criticised practice is a form of plea bargaining which allows suspects to purchase temporary or permanent freedom by making a financial contribution to the state budget. There are no accounting and reporting rules for these revenues.²⁷²

2. Government impunity

International observers and domestic civil society groups are increasingly critical about excessive use of force and

²⁵⁷ “Election Code Amended After Opposition’s Insistence”, Rustavi-2 TV, 22 November 2007.

²⁵⁸ Similar rules will apply to precinct-level commissions but not the district-level, where data is collected from precincts and passed to the centre. The UPM wants equal party representation on all levels. A diplomat has said a lot of rigging is possible on the district level, since that is where information is entered into computers. Crisis Group interview, Tbilisi, November 2007. But the powers of district level commissions have also been curtailed. “Upcoming Presidential Elections”, op. cit.

²⁵⁹ “Election Observation Mission Report, Presidential Elections, 4 January 2004, Georgia”, OSCE/ODIHR, p. 1.

²⁶⁰ “ISFED Concerned with Amendments to Unified Election Code”, *Caucasus Press*, 22 November 2007. The practice complicates the count and tabulation process. For one thing, it makes the calculation of turnout figures problematic. The constitution requires a 50 per cent turnout for an election to be valid; the winning candidate must receive 50 per cent plus one of the votes to win in the first round. There was no election-day registration in the 2006 elections. Since the 2004 elections, the CEC has developed a computerised and centralised voters register. On 19 October 2007 it launched a countrywide, door-to-door verification, which, it said, verified two thirds of the voters. It estimated registered voters at 3.4 million, a significant increase over past elections. OSCE/ODIHR, NAM, op. cit., p. 7.

²⁶¹ In January 2007 constitutional amendments removed the president’s prerogative to appoint and dismiss judges. Another positive development was an increase in the High Council of Justice, producing more balance.

²⁶² Crisis Group interview, former diplomat, Tbilisi, January 2007.

²⁶³ “Essential Background: Overview of Human Rights Situation in Georgia”, Human Rights Watch, 2007.

²⁶⁴ The disciplinary proceedings were in December 2005; the findings were upheld by the Supreme Court’s disciplinary chamber in summer 2006, *ibid*.

²⁶⁵ “Judges Speak Out Against Pressure”, *Civil Georgia*, 8 December 2005.

²⁶⁶ “Report of the Head of Mission to Georgia to the OSCE Permanent Council”, 23 March 2006. See also the law on disciplinary responsibility and disciplinary prosecution of judges of common courts, which gives the government power to discipline judges for “misinterpretation” of law. It has been strongly criticised by the Venice Commission as a threat to an independent judiciary, “Opinion n°408 on the Law on Disciplinary Responsibility”, 19 March 2007

²⁶⁷ Reports of the public defender for 2006.

²⁶⁸ Crisis Group interview, GYLA, Tbilisi, November 2007. For controversial cases, see the public defender’s report for the first half of 2006: “In connection with prosecution and investigation, one has to note one problematic issue, such as misinterpretation and misapplication of criminal procedure norms”, p. 48.

²⁶⁹ Crisis Group interview, GYLA, Tbilisi, November 2007.

²⁷⁰ This applies to all courts. On acquittal statistics in courts in 2005-2006, see public defender’s report, first half of 2006, p. 17. GYLA pointed out an apparent link between decreasing brutality used by police in treating pre-trial detainees and decreasing acquittal rates by the now obedient judiciary.

²⁷¹ Crisis Group interview, GYLA, Tbilisi, November 2007.

²⁷² “Main Findings and Recommendations”, op. cit.

perversion of justice by law enforcement officers.²⁷³ The ombudsman has highlighted cases of torture and inhuman treatment, unlawful arrest, non-execution of court orders and biased investigations, all by state agents.²⁷⁴ His report to the parliament also cited unlawful behaviour by police, such as planting weapons and drugs on arrested persons, as well as inappropriate use of firearms.²⁷⁵

The lack of transparent investigations into high-profile cases was a major reason for the November 2007 protests. Two cases in particular have resonated with the public. On 23 November 2004 a nineteen-year-old student, Amiran Robakidze, was killed by police, who called his death an accident. An investigation showed that evidence at the crime scene had been fabricated to absolve interior ministry personnel.²⁷⁶

The murder of Sandro Girgvliani, a 28-year-old commercial bank official whose tortured body was found on the outskirts of Tbilisi on 27 January 2006, had greater political fallout. His mother claimed interior ministry officials “masterminded my son’s murder” for insulting them and the wife of Minister Merabishvili during a café encounter that evening.²⁷⁷ Imedi aired an investigative report in February 2006. The public defender questioned the impartiality of the official investigation.²⁷⁸ The court case resulted in the conviction of four lower-level ministry officials but was heavily criticised by independent observers as a cover up.²⁷⁹ During parliamentary hearings on 28 February 2006, opposition parties criticised the ministry and walked out in protest.²⁸⁰ A former governmental minister

commented: “This was such a case that it is unthinkable for Merabishvili not to resign”.²⁸¹

3. Mistreatment of detainees

The U.S. state department has noted “reports of deaths due to excessive use of force by law enforcement officers, cases of torture and mistreatment of detainees, increased abuse of prisoners, impunity, continued overuse of pre-trial detention for less serious offences, worsened conditions in prisons and pre-trial detention facilities, and lack of access for average citizens to defence attorneys”.²⁸²

Abuse is particularly egregious in prisons. Despite efforts to build new facilities,²⁸³ severe overcrowding remains a problem. Prisoners share beds and often must sleep in three or four shifts. They typically have inadequate nutrition and medical help. Cells are poorly ventilated, equipped, maintained and lit.²⁸⁴ Detainees lack access to basic hygiene facilities and exercise.²⁸⁵ Mortality is high – 94 inmates died in the first eleven months of 2007.²⁸⁶

²⁷³ Crisis Group interviews, civil society members, diplomats, May-November 2007. “The government has failed to confront the long-standing problem of impunity for excessive use of force by law enforcement agents. Senior officials, including President Mikheil Saakashvili and the minister of the interior, have made public statements condoning the use of lethal force and praising the professionalism of law enforcement agents”, “World Report, Georgia, Events of 2006”, Human Rights Watch.

²⁷⁴ Report of public defender, first half of 2006, p. 21.

²⁷⁵ Ibid, pp. 60-61.

²⁷⁶ “Policeman Jailed for Murder”, Civil Georgia, 10 August 2006.

²⁷⁷ “Interior Ministry Gripped by Murder Scandal”, Civil Georgia, 28 February 2007. For more on the case, see Report of Public Defender, first half of 2006.

²⁷⁸ “Public Defender Speaks tough on Police, Top Officials”, Civil Georgia, 19 May 2006.

²⁷⁹ “Georgia: Murder Case Verdict Stirs Controversy”, eurasianet.org, 7 July 2006.

²⁸⁰ “Interior Ministry Gripped by Murder Scandal”, Civil Georgia, 28 February 2006. New Rights leader Gamkhrelidze said: “Merabishvili is trying to cover up criminals sitting in the Interior Ministry”. Conservative leader Davitashvili said the minister had no moral right to investigate a case where there are well-based allegations about the involvement of his officials.

²⁸¹ Crisis Group interview, former governmental official, Tbilisi, November 2007. The head of the MIA press service, who was publicly accused of links to the murder, was dismissed in March 2006, though the official reason was “conflicting relations” with journalists. Two other senior MIA officials have (at least formally) resigned, though one was recently filmed accompanying Saakashvili during the incident with Russian peacekeepers in Ganmukhuri. “Georgia: Government, Opposition Squabble over Interior Minister”, RFE/RL, 8 March 2006; and “Controversial MIA Spokesman Sacked”, Civil Georgia, 7 March 2006. Merabishvili continues to be one of the government’s most influential ministers.

²⁸² It went on to say, “other areas of concern included reports of government pressure on the judiciary and the media and – despite a substantial reduction due to reforms led by the president – corruption”. It noted improvements, notably against human trafficking. Georgia has adopted and implemented anti-trafficking legislation, resulting in sixteen convictions. U.S. Department of State, op. cit.

²⁸³ Two new prisons opened in Kutaisi and Rustavi, 2005-2006. While other prison facilities are planned as part of the action plan for implementation of the Criminal Justice Reform Strategy, it is also crucial to employ a range of non-custodial punishment measures and make judicial proceedings more efficient.

²⁸⁴ Incremental progress was achieved when metallic shutters, which caused the cells to be hot, dark and stuffy, were removed from some prisons in 2006 after international pressure.

²⁸⁵ “Undue Punishment: Abuses against Prisoners in Georgia”, Human Rights Watch, September 2006.

²⁸⁶ In prison no. 5 in Tbilisi, the overcrowding has reached extraordinary levels; official capacity is 1,018; in March 2007 it had 4,316 adult male prisoners, compared to 2,222 in May 2004. “Report on the visit to Georgia 21 March to 2 April 2007 by the European Committee for the Prevention of Torture (CPT)”, Council of Europe, 25 October 2007. Prison mortality rates have been improving slightly, though there is an increase in the numbers of both inmates and deaths. In 2006, 92 of 15,423

Authorised family visits have been reduced, and the opportunity for prisoners to have confidential discussions with defence lawyers limited.²⁸⁷ International observers and the ombudsman have criticised inhuman and degrading treatment and instances of beating, torture and the use of physical force.²⁸⁸

December 2005 and January 2006 disturbances preceded a 27 March 2006 incident in Tbilisi prison no. 5, in which at least seven inmates were killed and seventeen severely injured. The investigation into the March event has been inconclusive. The public defender said prison officials likely provoked the incident.²⁸⁹

E. FREEDOM OF EXPRESSION

Though many of them came to power from human rights organisations and other NGOs, the government leadership team has taken little time for public debate and consultation. Georgians today are split into two highly polarised camps – those for and against Saakashvili's vision. The ruling elite has conducted campaigns to discredit its critics, dismissing even constructive criticism and evidencing strong resentment for the traditional intelligentsia of artists, writers and academics. The perceived disrespectful approach was epitomised by Saakashvili referring to the traditional intelligentsia as being “flushed in the toilet”.²⁹⁰ A diplomat commented: “If your support [for the government] is a mere 100 per cent, not 150, you will be perceived as an enemy”.²⁹¹ The government needs urgently to reach out to the opposition and civil society and show it is not hostile to constructive advice and to criticism.

Television is the main source of information in a country where the print media has low circulation. The relatively few newspapers are distributed only in bigger cities. Only

inmates died (0.59 per cent). In 2007, there were 94 of 19,244 inmates died (0.49 per cent). Official statistics from the justice ministry, as of 30 November 2007.

²⁸⁷ “Undue Punishment”, op. cit.

²⁸⁸ International experts confirm reports of frequent arbitrary beatings and humiliations of prisoners by the most senior prison officials, Crisis Group interview, Tbilisi, spring 2007.

²⁸⁹ According to materials obtained by the public defender's office it is possible to suggest that actions of the Penal Department's administration provoked the riot, and during its suppression, disproportionate force was used by special troops armed with machine guns, report of public defender, first half of 2006, p.105.

²⁹⁰ Anna Dolidze, “Inside Track: Crisis In Georgia”, National Interest Online, 11 July 2007, at www.nationalinterest.org/Article.aspx?id=16066.

²⁹¹ Crisis Group interview, Tbilisi, summer 2007. Standard tactics used by the authorities against civil society critics include curtailing access and applying security service pressure.

a small percentage of the population has internet access. Printed and electronic media express differences of opinion but self-censorship is prevalent in both,²⁹² and in general “there is more pressure on media outlets than before the Rose Revolution”.²⁹³ Television broadcasting has become polarised. Private broadcasters are subject to “government harassment [and] business takeovers”.²⁹⁴

Even prominent journalists are sometimes not prepared to express opinions openly that could conflict with “national interests”.²⁹⁵ Job security is almost non-existent. Complaints of government harassment and attempts to control editorial policies were common well before the November crackdown and closure of Imedi TV.²⁹⁶ Within eighteen months of the Rose Revolution, 76 journalists and twenty media outlets signed an open letter, protesting government pressure and citing “attacks against the media sources from the very first [post-revolution] days”.²⁹⁷

Georgian Public Broadcasting (the former State TV and Radio Corporation) has become in effect a government mouthpiece.²⁹⁸ Critics claim that particularly the director of its board is independent in name only.²⁹⁹ They also say the high salaries it pays serve as an incentive to toe the government line.³⁰⁰

Rustavi-2, with Imedi one of the two largest TV stations, is generally pro-government. The link became evident after it was sold in 2006. Kibar Khalvashi, a close associate of ex-defence minister (and present critic) Okruashvili, owned

²⁹² Crisis Group interviews, diplomat, September-November 2007.

²⁹³ Crisis Group interview, international journalist, Tbilisi, December 2007.

²⁹⁴ “Attacks on the Press in 2006, Georgia”, Committee for Protection of Journalists, at www.cpj.org/attacks06/europe06/geo06.html.

²⁹⁵ Crisis Group interview, October 2007.

²⁹⁶ The decriminalisation of libel, however, has been a positive step.

²⁹⁷ “Journalists Accuse Government of Pressuring Media”, Civil Georgia, 8 July 2005.

²⁹⁸ This is despite establishment in 2005 of a nine-member board of trustees appointed by the parliament from candidates pre-selected by the president. The board then elected the new director. The State TV and Radio Corporation was transformed into Georgian Public Broadcasting in summer 2005 following passage of the Law on Broadcasting of December 2004. “Accountability and Public Voice” in the Freedom House report, “Countries at the Crossroad 2006”.

²⁹⁹ The director, Tamar Kintsurashvili, worked for the Liberty Institute, an NGO important during the Rose Revolution and close to the government since then. She is said to be a close associate of the NM leaders who founded the institute.

³⁰⁰ Crisis Group interview, expert, November 2007.

it and shares in another private station, Mze.³⁰¹ When Okruashvili left government, Khlvashi sold 78 per cent to the virtually unknown GeoTrans.³⁰² A new media holding company, owned by Georgian Industrial Group, was set up after a merger of Rustavi-2, Mze and a third station, Pirveli Stereo. It is controlled by parliamentarian and businessman Davit Bezhuashvili, the foreign minister's brother and reportedly a close Saakashvili friend. On 6 July 2006, Rustavi-2's popular anchor, Eka Kheria, resigned during a live talk show, citing "unacceptable demands and conditions by some governmental officials". In August personnel changes led to a journalists strike, followed by resignation of several activists, who claimed to be defending independent reporting.³⁰³

By contrast, Imedi, the country's most popular private channel over the past year, ran a highly critical report on the Girgvliani murder case in early 2006³⁰⁴ and extensively covered Girgvliani supporters' rallies, leading to charges by officials it was "creating an illusion of pre-revolutionary atmosphere".³⁰⁵ Badri Patarkatsishvili, who set up Imedi in 2003, sold 49 per cent in 2006-2007 to Western media tycoon Rupert Murdoch.³⁰⁶ Around the time he announced his political plans (he is a presidential candidate) and that he would financially support the opposition, Patarkatsishvili accused the government of politically motivated tax investigations into his company and gave Murdoch's

corporation power of attorney over the 51 per cent of Imedi he still owns.³⁰⁷

Murdoch said during the November demonstrations his company ensured impartial reporting, and Patarkatsishvili retained no editorial oversight, "but apparently, [the authorities] weren't watching. We invited them to come on the air and put their case and instead 200 goons turned up and smashed the place up. And the people".³⁰⁸

In 2005, another station critical of the government – Tbilisi-based 202 – was caught up in a scandal in which its leadership was accused of extortion. Employees were filmed by a hidden camera carried by a parliamentarian while taking a large sum of money from him, supposedly in exchange for not airing compromising material. The co-founder and managing editor claimed they took the money as part of an undercover corruption investigation on corruption. Though Reporters without Borders called the evidence "very thin", they were convicted of extortion.³⁰⁹

³⁰¹ Mze's political talk shows were temporarily halted in February and July 2005 after they challenged the official version of events around the death of Prime Minister Zhvania and coverage of local unrest in Tbilisi, "Authorities Accused, as TV Station Takes Talk-Show off Air", *Civil Georgia*, 7 July 2005.

³⁰² Rustavi-2 denied at the time that the takeover was politically motivated. "Attacks on the Press in 2006, Georgia", Committee for Protection of Journalists.

³⁰³ In late August the then director was replaced by a new director, who reportedly had no TV experience but was a close friend of the then chief of the presidential administration and now economy minister, Girogi Arveladze, "Rustavi 2 Chief Replaced", *Civil Georgia*, 21 October 2007. According to the press, Arveladze had been trying to influence editorial policies, "Attacks on the Press in 2006", *op. cit.* The station's director changed again in October 2007.

³⁰⁴ See above.

³⁰⁵ "TV Stations Become Involved in Political Stand-Off", *Civil Georgia*, 9 July 2006. At a press conference amid protests on the Girgvliani case, the then chief of the presidential administration, Arveladze, said, "Imedi was directly voicing calls for revolution and mass protests rallies"; Imedi denied this.

³⁰⁶ In September 2007, Patarkatsishvili announced Georgia would be a hub for the expansion of Murdoch's News Corps in the post-Soviet region. Some said this was a move to protect himself and the channel

³⁰⁷ "Attacks on the Press in 2006", *op. cit.*; and Crisis Group phone interview, News Corps representative, December 2007.

³⁰⁸ Murdoch quoted in "Tycoon Gives Saakashvili's Foes a Hand", 12 November 2007, *Moscow Times*, at www.themoscowtimes.com/stories/2007/11/12/024.

³⁰⁹ "Freedom of Media in Georgia Declines Even Further", *Eurasia Daily Monitor*, 31 October 2005; "Jailed TV station co-founder does not get presidential pardon, unlike partner", *Reporters without Borders*, 13 June 2007.

V. CONCLUSION

If Mikheil Saakashvili is re-elected in January, as is likely, he and his government will face a choice. They can continue on their increasingly authoritarian path – cracking down on the opposition, dismantling institutional checks and balances and tolerating (if not encouraging) cronyism at the highest levels – or they can give substance to their democratic rhetoric.

For too long they have been able to convince themselves, and much of the West, that forceful and decisive action, even if not always respectful of democratic principles, was required to tackle the very real problems they inherited after the Rose Revolution, including entrenched corruption and institutional dysfunction. Whatever the merits of that argument immediately following the transfer of power, they no longer apply. If Georgia is to establish itself as a robust democracy and meet the threshold requirements for NATO membership, there will have to be a significant change in the mindset of its leaders. The strong international reaction to the use of excessive force in November 2007 and the state of emergency was a reality check for them, but it is not yet clear whether they have internalised the message or still believe they can pay lip service to reform while continuing along an increasingly illiberal path.

In the immediate aftermath of the January elections, Georgia's friends should insist that the newly elected leadership stop the slide towards authoritarianism. It is far better to do so while there is still a real opportunity to influence a government that seeks international help than to stay passive and later be confronted with an entrenched regime.

Tbilisi/Brussels, 19 December 2007

APPENDIX A

MAP OF GEORGIA

Administrative map of Georgia



APPENDIX B

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