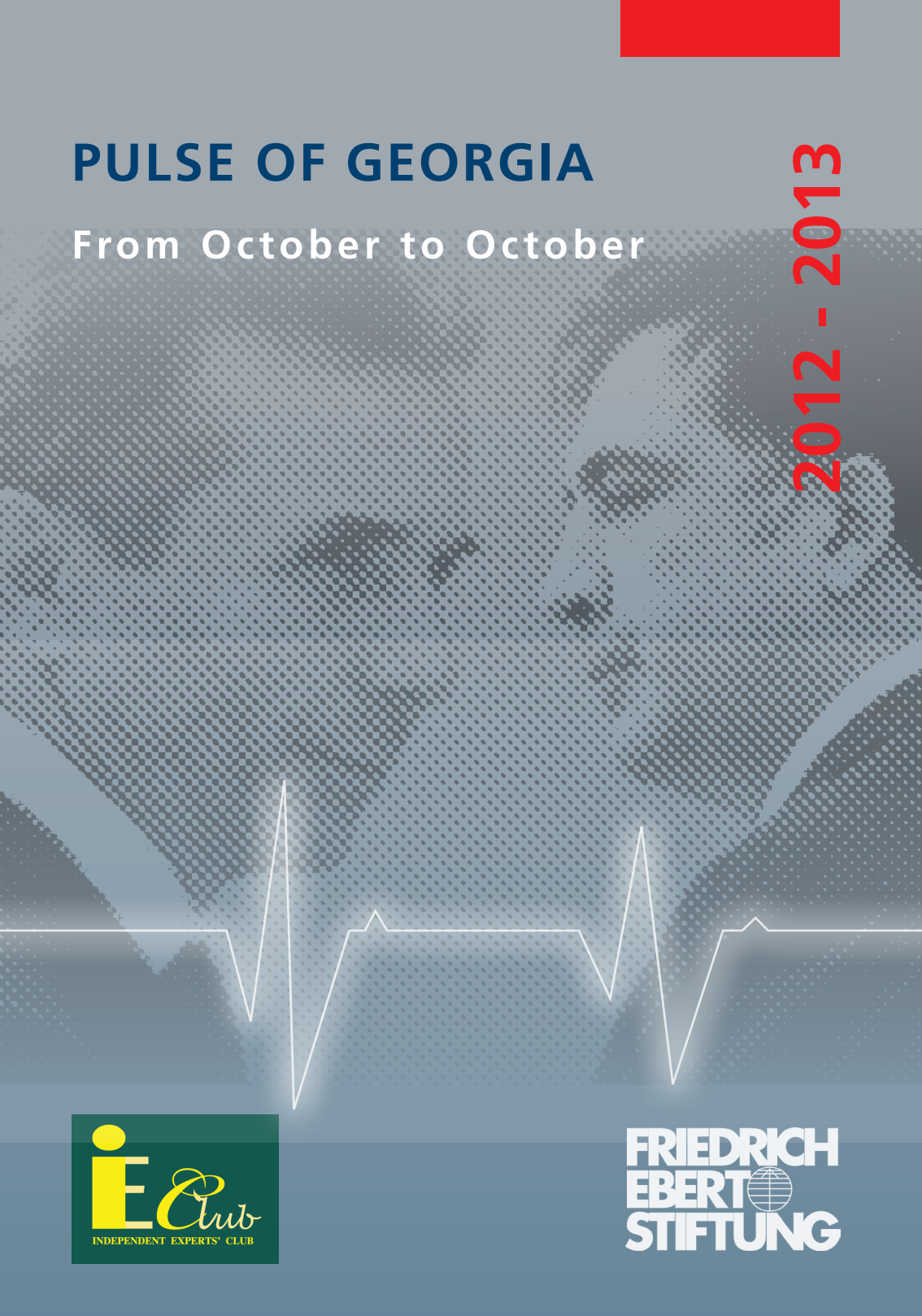
PULSE OF GEORGIA

From October to October

2012 - 2013



INDEPENDENT EXPERTS' CLUB

FRIEDRICH EBERT STIFTUNG

PULSE OF GEORGIA

From October to October

2012 - 2013

About the Independent Experts Club

The Independent Experts' Club (IEC) was founded on October 15, 2008.

The Club incorporates efforts of independent experts who are actively engaged in analysis of the policy, economy, legal, social, health, ecology, security, mass media, International relations, state-religious relations, conflict resolution, democratization processes and other important for the country issues.

The aim of the Club is to be involved actively in the assessment and evaluation of the events and processes currently ongoing in Georgia, whilst making these processes more public and providing an opportunity for co-participation in expert analysis to various interested and engaged civil society groups. The Club will attempt to integrate and focus intellectual potential on overcoming current and potential challenges of the country. Also, to develop thematic dialogues with the government of Georgia as well as international bodies and foreign colleagues.

The Club's activity is based upon professionalism, equality, transparency and pluralism.

According to regulations of the Club, as an independent organization, no civil servants and members of political parties can be members of the IEC.

By November, 2013 the Club incorporates the following 25 members:

Mamuka Areshidze	Caucasus Regional Development
Manana Beradze	Health Care
Prof. Nikoloz Beradze	Hydrometeorology, Natural Disasters
Vazha Beridze	Banking and Finances
Tamar Chikovani	Media
Vakhtang Dzabiradze	Civil Development
Paata Gachechiladze	State-Religious Relations

Prof. Iago Kachkachishvili	Sociology, Education
Kakhi Kakhishvili	Elections and Political Technologies
Prof. Merab Kakulia	Finance and Economic Policy
Bakur Kiguradze	Civil Engineering and Architecture
Manana kochladze	Ecology, EU –Georgia Relations
Zviad Koridze	Media
Prof. Vakhtang Maisaia	National Security and Defence
Lia Mukhashavria	Human Rights Lawyer
Prof. Lado Papava	Economic Policy, Education
Prof. Zaza Phiralishvili	Social and Political Development
Prof. Tengiz Pkhaladze	International Geopolitics
Prof.Ramaz Sakvarelidze	Social and Political Development
Natela Sakhokia	Social Policy, Education
Prof. Zaza Shatirishvili	Social and Political Development
SosoTsiskarishvili	Economy and Politics
Prof.Sandro Tvalchrelidze	Natural Resources, Economy
Lasha Tugushi	Media
Prof. Mindia Ugrekhelidze	Law, Human Rights

Contents

Edited by Soso Tsiskarishvili

publishing date (November 2013)

Foreword

The smooth transfer of power to the opposition following Georgia's parliamentary election of October, 2012 was an unexpected and pleasant development for both Georgia's neighbors, and its Western partners as well.

The extraordinary ongoing political, economic, and legal processes, as well as the diverse assessments and attitudes that exist towards democratic values within society and among the government, continue to draw great interest from international organizations, the mass media and Georgia's foreign partners.

The internal and outside view of the current political situation in Georgia is not only diverse, but also contains incompatible evaluations, that reflect the alternative information disseminated by the former and current governments.

The articles of this collection offer reflections of their authors concerning the one-year developments in Georgia dating from the parliamentary election of October 2012 to the more recent presidential election of October 2013, and include the current and potential challenges the country faces.

The thematic diversity of this publication stems from the wide-ranging professional interests of its authors. It offers the reader insight into the present-day Georgia, as seen through the eyes of a diplomat, lawyer, economist, financier, journalist, medic, political scientist, as well as international relations and conflict resolution experts.

Soso Tsiskarishvili

Dual Power Challenges: From Election to Election

The long-standing myth, that president Saakashvili would never ultimately give away power without bloodshed, because his associates would never allow him to, crashed on October 1, 2012.

The main architect of the peaceful destruction of this myth was a major part of the Georgian population. They deprived his fully-discredited political party (UNM) from the reins of a nine-year-long single-party governance of the country's parliament, as a result of unusually heavy polling on the day of the Parliamentary elections.

It is a party, of which some its odious leaders were exposed to self-lustration of their own actions on the night of the election: an omnipotent minister of justice and prosecutor general fled the country, followed by three defence ministers and several other high-ranking officials who, a year later, are still in hiding.

High-ranking diplomats accredited in Georgia had been actively involved in the implementation of the peaceful scenario of victory gained by the election. They played a positive role of impartial arbiters in this process.

The success of the Georgian Dream, a winning oppositional coalition with seven constituents, is directly associated with the name of its billionaire leader and founder, Bidzina Ivanishvili, who squared the circle to gain victory in the uneven and unjust struggle with state structures. A year after he entered the political arena, Ivanishvili became the Prime Minister of Georgia.

Interesting processes have developed in the new Parliament of Georgia, which is largely represented by only two political parties

– the Georgian Dream coalition (the majority) and the United National Movement (the minority). That the parliamentary majority did not gain enough seats to allow them to make changes to the constitution of the country at will, as happened in the previous decade, can be viewed as a positive factor.

The deputation of the UNM, desperately embittered by its defeat, did not care about the smeared reputation of its own party. Unable to bear having to wear the opposition mask, it tried to continue using governmental levers with its usual vigor.

Very soon it became clear that the new parliamentary minority would go to great lengths to assume and fit-into the non-existent role of the "oppressed government". The basis of such metamorphosis was that they probably considered the fact that the founder and leader of their own political party was the top executive official – President Mikheil Saakashvili, who had been entitled to the rights granted by the constitution, which they had composed and tailored to their own needs. At the same time, he was the Commander-in-Chief of the Georgian Armed Forces, and the Chairman of the National Security Council, he also appointed all governors and controlled their activities. In addition, the UNM maintained real influence on local governmental structures, banking system, court system, the representations of Georgian diplomacy, businesses, part of the media, state audit, municipalities and so on. In fact, it would be difficult to find an opposition in any other country that enjoyed so much institutional power and influence.

The readiness of the UNM to execute their plan became more evident after the new government had ignored the petition signed by over 1 million citizens of Georgia appealing for the observance of the Article in the Constitution according to which the president of the country was elected for a five-year term and the inauguration of the new president had to take place in January 2013.

Therefore, it gradually became obvious that the situation created in the country did not correspond to the traditional practice of debate between the government and the opposition. As such, from the beginning of 2013, we have been witness to dual power system

in place. The reason behnd the cohabitation governmental model, aside from the dubious ambitions of the former government, can be partly attributed to the over-confidence of the new government and the doubtful interpretation of the imposed cohabitation.

Unfortunately, it is the Georgian Jurisdiction that has turned out to be the main victim of the dual power model.

Despite the optimistic start of the parliamentary human rights advocates in 2012 that entailed the release of political prisoners and a large-scale amnesty program, which enabled Georgia to shed the shameful label of being the "Champion of Europe" – according to the highest number of prisoners per 100, 000 population), the restoration of justice did not concern the more than 10, 000 families who had been illegally deprived of their property, businesses, real estate and other items.

They applied to the Prosecutor's Office, but with no results. During its first year in office, the new government could not find time to address their problems. Neither had the prosecutor's office shown much enthusiasm concerning these claims, (the prosecutor's office, which retained 67% of its old staff, had many times been accused of establishing injustice). The current prosecutor general, who enjoys the high trust of society, will have difficulty in working miracles if the politicians serving in the government continue to persuade people that the pre-election promises regarding the restoration of justice have been fulfilled.

A clear example of dual power is the instant cancellation of court decisions by the president through his pardoning of various high-ranking officials. Possibly, such a practice forced the prosecutor's office to delay judicial proceedings until the inauguration of the new president.

Upon the approach of the date where presidential immunity is removed, the issue pertaining to the possible interrogation of the UNM leader concerning some high-profile criminal cases by the prosecutor's office has become urgent again. It is a serious challenge for the Georgian state, as well as society and perhaps for its European choice - if the advice given by our European

partners and friends concerning cohabitation has been perceived incorrectly, as an ultimatum for making the correct choice: either Europe or justice.

This possible challenge must necessarily be confronted by sensibility and law, but not emotion!

Given the 13 months of constant opposition and mutually unacceptable actions, fortunately, there appeared a topic, at least on one occasion, which revealed to Georgian society the meaning of cohabitation in simple terms: the Georgian Parliament has unanimously adopted the resolution about the foreign policy of the country, which in turn, will leave no questions for anyone - Georgian foreign relations will oriented towards the country's integration into the European and Euro-Atlantic space. Georgia confirms its unilateral liability for the nonuse of force.

In this respect, a serious contribution to the country's progress has been made by the Saakashvili government, which as a result of long and vigorous efforts, has paved the way for the new government's further success. However, later he made frequent attempts to discredit the new government by making slanderous statements.

Georgia may have the chance for considerable success in November of the current year at the forthcoming Vilnius Summit where the Georgian people hope that the country will gain the deserved European status.

We are witnessing significant improvement in the judicial system in the period before the presidential elections. Unlike those in the previous year, there is no longer illegal pressure placed on political rivals by state institutions, and no agression can be seen between presidential candidates. However, their record number indicates the necessity of the improvement of the corresponding legislation, rather than any real boom of political activity.

The main positive feature of the 2013 presidential election is that none of the candidates are perceived as almighty or as the sole "messiah" anymore.

22 years later, after the restoration of Georgia's independence in 1991, Georgian society endured three charismatic presidents who had been elected by 87-97% of the votes, but none of them could manage to maintain the president's chair for the term determined by the law. (Gamsakhurdia – 1992, Shevardnadze – 2003 and Saakashvili -2007).

Now is the first time when the necessity of the second round of elections has theoretical grounds. It is paradoxical that even speaking about the second round has turned out to be unacceptable for those political leaders who have contributed to the introduction of certain democratic values in the country over the past year.

High interest towards the Vilnius Summit in Georgia contains one additional intrigue: who will present Georgia at this most significant international forum. The existing legislation and calendar suggest that if the second round of the presidential election is required, the delegation will be headed by President Saakashvili. But if the winner is revealed in the first round, then a Georgian delegation will be headed by the new presedent.

A more significant characteristics of the current presidential election in Georgia is the political belonging of the candidate that will rank second. If the candidate from the UNM occupies second place, then there is a high likelihood that the expectation of putting an end to dual power may become groundless. And this is exactly the dream outcome of Saakashvili's party. There is an opinion that in this case, an intensive PR company on the establishment of a "two-party democracy" oriented towards the West will kick-off with the constant ambition of false self-identification with the political system of the United States of America.

The statements made by some leaders of the Georgian Dream coalition that it makes no difference who will finish second in the election causes certain embarrassment among the part of the society sharing the above opinion. In this case, it becomes more and more central to persuade the voters that staffing all electoral commissions throughout Georgia by only Georgian Dream and

UNM representatives does not contain any threat for the other presidential candidates in the country with the rich traditions of electoral fraud.

Dual power in Georgia has created serious diffi-culties for the country's economic development. Despite the fact that widely spread elite corruption and state rackets in the past have been eliminated, the spread of contradictory information by strongly-opposed political forces has hampered business activities and shattered the trust of investors. The efforts made by the government were effective only when their initiatives could not have been blocked by the former government (agriculture, wine-making and export, healthcare, education and others).

Neither of the statements made by political leaders had any positive effects on businesses according to which, the Prime Minister, the leader of the winning party, was going to leave the political arena and at the same time the president, the leader of the defeated political party, announced his return to power in the near future.

Dual power also favored the stubbornness of defending different positions, given the insufficient motivation of achieving consensus. For this reason, developing clear positions on issues such as the participation or boycott of the Sochi Olympic Games, the activation or ceasing of humanitarian, cultural and trade relations, etc. are being delayed.

The main characteristic feature of the 2013 presidential election is that the new constitution of the country will go into effect after the inauguration of the new president. Georgia will be using the major law that is inherent to the Parliamentary Republic according to which the head of the executive power shall be the Prime Minister.

Therefore, one of the reasons of having such a peaceful atmosphere in the pre-election period is presumably the increasing interest concerning the identity of the new Prime Minister, which the

current Prime Minister was trying to arouse so skillfully. He took the responsibility upon himself to offer the parliament the candidature of a new prime minister without revealing the name for a long time (just as was the case when selecting his own presidential candidate).

Recently, the Georgian people got over the opinion, though not so easily, that their well-deserved idol, Bidzina Ivanishvili, was going to resign and move into the civil society sector, but according to his announcement, “he is not going anywhere.”

Such statement creates the ground for optimism and contains a certain placidity for a large part of society. They are sure to take part in the election with the motto: “Goodbye and Hello Mr. Ivanishvili”. Most probably, the result of the election will be defined exactly by those particular voters.

Vakhtang Dzabiradze

Domestic Politics in Georgia

The first 100 days after a newly appointed government takes office suffices to define the future priorities and path of the country. The public is given an opportunity to assess and evaluate prospects of their country's development under the new government, and to foresee the prospective changes. This is mainly a story applied to countries that have a long history of democratic governance and a sustainable system of state institutions. In such countries, the transfer of power is achieved conventionally through elections. The change of government does not require reorganization, a shift in political course or the revision of public values.

The story differs in countries, like Georgia, a country where a stable democratic political system does not exist. The transfer of power through elections is rare; a uniform system of societal values is lacking; moral beliefs are in discrepancy with the law; an individual thinks one thing, speaks another, and does the other. When in the opposition, one fights for democracy, when in office they aim at re-establishing totalitarianism. As such the loss of power means disappearing from the public sphere and gaining power equals omnipotence and domination of the public. In such a state of affairs, open illustration of the political orientation and evaluation of the reality is an extremely complex and risky business.

Despite such a reality, and may be on account of it, the need and desire to analyze in-depth the political processes which followed the 2012 parliamentary election is immense.

No one denies the significance of the 2012 elections, which mark the first peaceful transfer of political power in Georgia's modern history. However, the election campaign was conducted in a revolutionary environment…

On the one hand, when on October 1 citizens casted their votes, they had in mind that if the results of the elections were contested, October 2 would mark the beginning of massive protest rallies. Additionally, they were certain that the government would not give-up power and the use of force was unavoidable.

On the other hand, President Mikheil Saakashvili realized that the demonstrations could only be circumvented by declaring the defeat of the ruling party - United National Movement. In the case of massive protests, the process might become uncontrollable and to a certain extent critical for the representatives of the UNM party. Therefore, Saakashvili chose recognition of defeat over new revolution.

The revolutionary environment prior to the elections did not emerge overnight; it was grounded in the 8 years rule of the UNM, a political party which while being in office strengthened the regime of personal power, suppressed the free media, intimidated society and drove the opposition out of the political process.

Back in 2003, following the Rose Revolution, the newly appointed government set an objective: to eradicate corruption and to restore justice in Georgia. Needless to say, the incumbents enjoyed a high level of public support.

Unfortunately, for Georgian society, the restoration of justice would entail the punishment of the old regime representatives; citizens often turned a blind eye on the misconducts of justice. This contributed to the pace and scale the government employed in its efforts to restore justice. The UNM government deftly utilized public attitudes to pursue its partisan interests.

On the one hand, the government monopolized power by making amendments to the constitution (increasing the powers vested in the president). The UNM also tailored the legislation to its private, political and party interests. The same can be said about the reforms in the justice system and the new electoral code.

On the other hand, in the shortest time, the aggressive public administration reform replaced the staffs of the state apparatus and local government entities, and judgeships, regardless who was corrupt and who wasn't. The vacant places were often filled by party activists under age 40.

In the worst scenario, state propaganda framed those with critical mindsets as Russian spies; in the best scenario they were depicted as followers of former President Shevardnadze. Soon after the revolution, the Saakashvili regime was absorbed by the authoritarian ideas; along the slogans "fighting corruption" and "restoring justice", an ideology that embraced zero tolerance emerged. Unfortunately, the Rose Revolution did not result in establishing a modern state grounded on democratic principles and the needs of its citizens. What we received were obsolete institutions, filled by new people with an authoritarian manner of governance.

Unsurprisingly, such a transformation was followed by civil unrest: in November 2007, the protest wave moved to the streets of Tbilisi where demonstrators were violently suppressed by riot police. The harsh reaction from our Western partners rescued the political opposition and organizers of the rallies from additional repression. However, the opposition lost its chance to rightly employ street protests in the future.

The UNM government, succeeded at both maintaining power and subduing the free electronic media: the public sphere was restricted, the only oppositional channel (TV Imedi) was shut down and talk shows on other channels closed. While the government realized that regaining the public's support was unattainable via free and competitive elections, it came up with other schemes to maintain their overall grip on power. (One can argue that the events of August 2008 in Tskhinvali aimed at covering-up the brutal dispersal of the demonstrators in November of 2007 as well as the dubious results of the 2008 presidential and parliamentary elections.)

The internal and external state of affairs had not allowed the Georgian government to use repressive actions openly and on a large scale. The principles of the façade democracy dictated its policy: to discredit the real social political opposition and to replace it with the controlled ones.

The government was able to successfully control all budgetary funds along with other financial assets in the country. The majority of large businesses relying on budgetary donations became merged with state institutions. Medium and small businesses, through the anticorruption office, tax revenue institutions and plea deals, were subjected to rackets and turned into a source of the money laundering.

Within the environment of the constant propaganda ("simulated Qronika" being one example out of many), the large scale and methodical attack was directed at the Georgian public. Intimidation, bribery and mass surveillance became the constituting part of our citizens' everyday life. The surveillance was directed at both at ordinary citizens, and public servants. Those who had a more or less critical mindset toward the government were immediately dismissed from the duty.

As a result, a solid number of Georgians became direct victim of the repression; the Ministry of Internal Affairs confirms that the number of the secret tapes exceeded 26 000- this around 1 percent of the adult population in Georgia. Prior to the UNM, such large-scale surveillance was only characteristic to the beginning of the Stalin era.

The 2010 constitutional amendments embodied the shift of the unlimited powers from president to prime minister. This illustrated that even the façade of democracy could-not guarantee Saakashvili the consequent presidency. But Saakashvili, nor the UNM was ready or willing to cede power. They aimed at clearly demonstrating to the public that if needed they would force against protest rallies.

The declared goal of the UNM regime on May 26, 2011 was to free-up Rustaveli Avenue in order to hold a public celebration in commemoration of the country's Independence Day. However, the brutality employed by the riot police in the streets and later in police offices and prison cells illustrated otherwise. In contrast to 2007, the November events when the government used direct aggression against the protestors within a specified period of time, the punitive operations in May of 2011 took longer, and through the use of moral and physical pressure, the activists and the organizers were subject to criminal prosecution.

The mild reaction of our Western partners to the May events - especially that of the US ambassador to some extent, amplified the degree of the government's repression against the demonstrators. In general, the government met its goal: by punishing the protesters, they demonstrated the reaction of their Western partners and made clear what will happen to those going against the government in the future.

The opposition fell short of confronting the government either strategically or tactically, at home or abroad. It lost support and leverage. Street manifestation no longer represented the opposition's instrument to shake the government's authority.

The government was extremely successful in driving the opposition out from the streets; it accomplished this to create fear, mistrust and nihilism among the public, which led to the polarization of society and increased volatility.

The intention of Georgian billionaire, Bidzina Ivanishvili to enter Georgian politics came as surprise for many within political and public circles. Soon he presented his views on the country's development and took on the job of opposition leader. Ivanishvili's decision to become a politician caused uncertainty, sometimes fear, and hope. Soon, it became clear that the billionaire was capable of uniting the critical electorate and political opposition parties, which were capable of managing and directing the accumulated anger of the Georgian public.

The mythologized personality of Bidzina Ivanishvili best suited both the existing political situation in the country and the mindsets of regular Georgians. This mythic figure was a billionaire who had lived for years in seclusion from society; a philanthropist who donated millions to charitable causes, and one who announced his readiness to employ all existing resources to overcome the crisis in the country, and to change the incumbent government through elections, to solve the most pressing problems of the country in 2-3 years and then leave politics. No one could ignore such offer, especially the citizens of Georgia, a country which showed signs of heading in an increasingly authoritarian direction. In no time Bidzina Ivanishvili became the leader of the Georgian opposition.

Ivanishvili's statement surprised Saakashvili's government, which considered the victory secured at the 2012 parliamentary elections, and was singling-out political "opposition" party, which would enter the parliament to create a façade of democratic legitimacy during the upcoming elections.

The existing state of affairs confused the UNM government; they began employing the same methods they used against their regular political rivals.

The massive rallies following the repression against "Qartu"- Bank clearly demonstrated that an angry public "kept in kitchens" would once again pour into the streets of Tbilisi. Protests were more massive, protestors more aggressive. The UNM government's decision to deprive Bidzina Ivanisvili of his Georgian citizenship invoked further local and international discontent.

At that moment, the incumbent government realized that along its shaken position on the international stage, it had lost control over the situation in the country. There was not much of a choice: either recognize its defeat at the elections, or continue pressuring the opposition in a manner that would not reflect on the support it was receiving from its Western partners.

Naturally, the government continued pressuring the opposition which only increased public anger. The election campaigns were conducted in an environment of civil unrest.

Therefore, when Saakashvili announced the defeat of UNM during the 2012 parliamentary elections, the opposition electorate comprehended this fact not as a result of free and competitive elections, but as a direct outcome of public pressure.

Despite such explosive and dangerous circumstances, prior to the election, the political parties addressed Georgia's socio-economical challenges, rather than the political shortcomings during their political statements, programs, messages, TV shows.

The importance of "restoring justice" was often communicated. However, it can be said that the rivalry between the government and the opposition was grounded based on socio-economical hardship rather than injustice, cruelty, and outrage caused by the rule of the UNM.

The results of the 2012 parliamentary elections did not come unexpected for the government, the opposition, or for the public. Neither international observers, nor our partners or rival countries were surprised by the results. What was unexpected is the fact that Saakashvili and the UNM admitted the defeat and peacefully transferred power to the Georgian Dream coalition.

Ten years ago, after the 2003 election which triggered the infamous Rose Revolution, incumbent President Eduard Shevardnadze declared a state of emergency, then he resigned and handed the power to the Revolutionary Triumvirate-Saakashvili, Zhvania and Burjanadze. The difference between these situations is that back in 2003 the level of aggression was relatively low, and all the political actors (Shevardnadze, Triumvirate, U.S. and Russia) were known to the public.

In 2012, the political temperature reached the boiling point, the UNM government and Georgian coalition opposition went face-to-face, with some of the other forces involved backstage. I am not trying to draw parallels, or to find any justification for something or someone, but in order to be unbiased, I would like to state that the Georgian Dream coalition took office when Georgia was facing its greatest challenges.

These myriad problems required an immediate and dynamic response from the newly elected government. The citizens who supported the Georgian Dream coalition also hoped for a better future. However, the prerogative to appoint the prime minister was still in hands of the President Saakashvili; he also had the power to sack the prime minister, defense and law enforcement ministers, and to dissolve the parliament 6 months after the elections.

It is true that after recognizing defeat at the elections, Saakashvili was forced to appoint the prime minister and the government. At the same time the president's constitutional prerogative could cause governmental crisis and political destabilization at any moment. Hence, the Georgian Dream coalition was obliged to neutralize such constitutional threats in order to secure the stability of the state.

On the one hand the dual mode of governance was comprised of a victorious coalition, the prime minister, the government and a majority in the parliament. On the other hand, it entailed the president along with the parliamentary minority, governors, as well as the local and regional administrations. In such a state of affair, the restoration of justice, in a manner our public comprehends it, is unattainable. However, the constitutional framework of Georgia does not leave room for other scenarios. It is also clear that obliging of Saakashvili to recognize his defeat could not have been done solely through the efforts of the Georgian public.

After the elections, the Georgian Dream coalition was caught between two fires: on one hand, a public that risked its future by engaging in the protest movements quite fairly demanded from the new government the restoration of the blemished dignity and the punishment of the offenders. On the other hand, our Western partners demanded constructive cohabitation and mutual respect.

Unfortunately, the political elite of the Georgian Dream coalition had not realized that the process of cohabitation has its own

rules and development dynamics, which differ from revolutionary ones. In times of revolutions, punishment and dismissal of the old regime representatives is a natural act; during cohabitation, the same constitutes anti-democratic practices and the violation of human rights.

When faced with such a challenge, the coalition government had not introduced a new approach in solving the problems and restoring justice; it employed old tactics in a pace that caused a critical reaction from our Western partners.

In general, if we assess the Georgian Dream coalition governance, my perception is that the ruling party fell short of differentiating the internal and external challenges; the Georgian Dream coalition has not fully comprehended the dynamics of cohabitation, as an unusual process for Georgian politicians and society.

Lack of experience, and the complexity and plurality of the problems appear to have caused confusion and chaos within the new government. It is possible that focus on daily routine became the reason why the ruling coalition cannot be regarded to have one uniform position in relation to the former government and to the myriad of problems the settlement of which was and still is vital for the well being of the country. In addition, the permanent statements of the Prime Minister over his prospective resigning breed an unhealthy environment both in the government and among the public.

It is clear that the course of the new government lacks a constituency and efficiency.

Aside from the large-scale amnesty and some improvements in the area of social policy and agriculture, no major steps were undertaken in the field of democratic governance, the restoration of justice or economic development. While the new government possesses adequate financial and intellectual resources, some of the issues such as constitutional amendments, and voter lists were addressed discretely and under time pressure.

During its one year in office, the coalition devoted most of its time to disputes with the UNM and in adjusting to the cohabitation process.

While the problems remain, the public lacks information over how the new government will handle the challenges the country is facing.

So far the Georgian Dream coalition pursues the old path; the government tries to overcome the crisis by making reforms in structural entities instead of institutional ones, which would have created new opportunities for the country's development.

The government promises the restoration of justice, encouragement of democratic processes and the end of the cohabitation regime after the upcoming presidential election. However, if the new government fulfills its pledges by employing the UNM methods and pace, there is the great likelihood that this process will affect our relations with our Western partners. And we, the public will remain in the same vicious circle we have been trying to overcome since the independence of Georgia in 1991.

Lia Mukhashavria

Legislative Amendments

As more time passes, the more clearer will we comprehend the historic importance of the October 1, 2012 parliamentary election. Without exaggeration, this was a milestone in the democratic development of the Georgian state, when the public triggered radical changes through the realization of democratic suffrage.

In light of our homeland's scarce democratic experience, achievement of radical political changes through peaceful means has created among the public an expectation and feeling that all the evil and malice of the previous authorities would be eliminated through the same democratic, painless and peaceful methods. Unfortunately, Georgian society was hugely frustrated and continues to be fairly dissatisfied today with the fact that the restoration of justice has not occurred or even begun in Georgia.

The restoration of justice for a modern Georgia implies the reinstatement of all rights breached during Saakashvili's reign through the country's internal legal methods, i.e. full reimbursement and compensation for the inflicted damages (both material and moral); the punishment of criminals by the full severity of law (because the strict penal policy introduced by the previous authorities and its social consequences cannot be eradicated so easily), and probably many other things that a person could dream of. The title of the coalition has also created these expectations among average citizens, those who are totally unaware of the state's institutional organization and a good of functioning of justice.

The agenda of the Georgian Dream emphasized the following:

"The excessively politicized prosecutor's office and the police are the key foundations of this regime. Instead of enforcing the law, they became a driving force of the authorities' repressive machine, while the courts - the supplement of the prosecutor's office; the "plea bargain" institute is applied beyond any reasonable scopes,

becoming a compulsion mechanism and brazenly serving unlawful purposes - by settling the score with undesirable persons through payment of unjustifiably large amounts, or to the contrary, by granting unfair benefits to some people."

The agenda of the Georgian Dream covered the procedural issues of reforming the prosecutor's office - who and through which, procedures would appoint the chief prosecutor, how and by which procedure would they become independent from - even the Minister of Justice, and how would the Minister of Justice part with the functions of the prosecutor general. The agenda focused less on the functions, objectives and tasks of the reformed prosecutor's office, but the readers could hardly notice this. The agenda stated:

"The function of the prosecutor's office will be to protect the public from crimes; to protect the legal rights of defendants and convicts, as well as victims, and to secure lawful functioning of the investigative authorities by supervising their activities."

We believe it is clear from the citation that ahead of the election, the Georgian Dream has given neither a mechanism nor a realistic method of enforcement and promise for the restoration of justice.

Under the agenda, a process of restoration of justice should have developed as follows:

"A fair sentencing policy will be implemented, sentencing based on accumulation only at the time of the cumulative crimes will be excluded and the best models of fair sentencing will be taken into account; criminal liability for the use of drugs, as well as for its purchase and/or storage in small quantities for personal use will be revised; a plea bargain institute will become fair, and in particular, the interests of the victim will be taken into account to the maximum extent. The role and rights of judges at the time of executing plea bargain agreements will increase. At that, it will be decisive to detect organized and other crimes and facilitate the investigation and not to fill the state budget

by payments. Executing plea bargains on the cases of juveniles will be prohibited and priority will be given to restorative justice and implementation of the re-socialization policy; the unlimited powers of the prosecutor's office will be restricted. At the stage of investigation and criminal prosecution, protection of the rights of defendants and victims will be secured by challenging the summary procedural documents in court;

A bar will be strengthened to fully enact the principle of adversary and to do away with the prosecutors' dictate at the investigation stage and throughout legal proceedings."

In terms of the restoration of justice, the agenda says the following:

"[The] consequences of illegal, unjustified and unfair decisions will be eliminated to restore the breached rights of thousands of illegally imprisoned persons, and their cases will be revised within reasonable time-frames."

Today, one year after the October elections, it is clear that none of the above-mentioned promises have been met. Although at the first stage, a mass release of inmates took place based on amnesty, and shortly after, changing the principle of unconditional cumulative sentencing has resulted in the release of a second group of inmates. None of these measures mean however that their breached rights have been fully restored. Even with respect to political prisoners and those persecuted on political grounds, the guilty court verdicts are still in legal force today, which state black-on-white that these persons had committed one or several offenses stipulated in the Criminal Code. Even more could be said about persons released from prison based on plea bargain agreements, who apart from their illegal imprisonment, are even more concerned about coercion by which they had agreed to the offered plea bargain and thus incurred material and property damages inflicted on them personally and their families as a result of this plea bargain.

Deserving a separate mention is the December 28, 2012, Amnesty Law of the Parliament of Georgia, the Preamble of which states: "... **In light of the current political-legal situation, the Parliament of Georgia, being guided by the criteria determined under the Resolution N1900 (2012) of the Parliamentary Assembly of the Council of Europe, and believing that today in Georgia there are persons criminally prosecuted and imprisoned on political grounds, herewith announces a political amnesty in accordance with this Law."**

Pursuant to Article 18 of the same Law: the release from criminal liability and punishment and/or reduction of sentence stipulated in this Law shall equally and proportionately apply to a real sentence of imprisonment, probationary sentence and probation period, as for principal, as well as additional punishment, except for a fine and deprivation of property.

Based on this Article and the above-described grounds, we can assert that the new authorities have neither promised to restore justice, nor taken care of carrying it out. Accordingly, it is not surprising that the general public was not informed about this either - then or now.

This assertion of ours is further upheld by the December 5, 2012 Resolution of the Parliament of Georgia on persons imprisoned on political grounds and persecuted on political grounds, under which 215 people were declared as political prisoners and persons persecuted on political grounds. Notably, under Paragraph 3 of the same resolution, the author of the resolution - Parliament undertook an obligation "... to create within the shortest period of time, legal mechanisms for the release from criminal liability and punishment and/or the exercise of the right to a fair trial for the persons referred to in Paragraphs 1 and 2 of this Resolution." By October of 2013, one can assert for certain that the "shortest period of time" defined by the Parliament of Georgia has not expired yet since December 2012, and that the time for creating legal mechanisms warranting the right to a fair trial has not yet come.

Another fact of l egally and politically historical importance is linked to the Amnesty Law and the parliamentary resolution on political prisoners and persons persecuted on political grounds - both these acts were promulgated under the signature of the Chairman of the Parliament, Davit Usupashvili, i.e. the parliament has adopted both acts by overriding the presidential veto for the first time in the history of the Georgian state. Accordingly, the expectation towards the parliament's and politicians' increased responsibility for enforcing these acts in practice, fully and consistently turned out to be totally groundless.

One could say that the investigation into the prison torture case was the most evident illustration of the policy of the non-restoration of justice by the new authorities. The authorities have not informed about the investigation of cases and the results of the investigation. The public, which, after seeing the appalling images of torture and inhumane treatment in prisons aired by media outlets in September 2012, has organized mass protest rallies. Whereas, this is an internationally-recognized legal principle that informing society about the subject of high public interest and the investigation of cases of torture is a priority obligation compared to the interests of investigation and victims. That is why the public was impatiently awaiting the completion of the investigation into the torture case and its results. Despite all the above-described circumstances, the chief prosecutor himself has executed a plea bargain agreement with the key person in disclosure of the video materials, Vladimer Bedukadze, while later on June 27, 2013, the Tbilisi City Court approved the motion of the prosecutor's office on the execution of the plea bargain with 17 people charged with torture. Because a plea bargain document is a confidential document under the law and in view of the specifics of the investigation of cases of torture and the protection of the victims' interests, respective court trials are held behind closed doors. This particular case was closed and classified as secret for the public in a two-fold way. Most outrageously, plea bargains were executed with all defendants involved in torture so that not only the public, but even the victims themselves are still unaware of the services

of defendants, based on which the prosecutor's office has reached a plea bargain with them. There are questions still unanswered today, which should be certainly responded to. Namely, what was the information that these persons have provided to the investigation, based on which the prosecutor's office has granted them such a bargain? Who are the persons, about which the information provided by the defendants was so important for the prosecutor's office? If such persons were indeed identified by the defendants who had executed plea bargains, who are they, when and through which procedures should they be held liable for the committed crimes? One thing is clear and obvious for the time being: The prisons of two former ministers of the Ministry of Corrections, Dimitry Shashkin and Khatuna Kalmakhelidze, witnessed mass torture and inhumane treatment. Both of whom have not yet even been indicted by the investigation, regardless of the fact that a "reasonable period of time" and the parliament-mandated "shortest period of time" have both expired.

Bypassing the procedure of holding the offenders liable and trying them without a guilty verdict is, in the first place, the nonobservance of law in respect of these persons and their impunity. Even worse, the closure of their cases through plea bargain agreements deprives the victims of inhumane treatment the right and legal possibility to request and receive compensation for the inflicted material and moral damages through a procedure established by the law! All of this at least means that if they are deprived of the possibility to demand compensation for their inflicted damages from the offenders directly, pursuant to the rules of international law, this does not release the state from obligation to compensate for the damages, which by itself implies that damages should be compensated at the expense of the state budget and not the personal property of the offenders. All of this further supports the opinion that the Georgian Dream does not have a political will and intention to restore justice.

It should be noted for the sake of fairness, that the great expectation and hope of the public that the Georgian Dream would undeniably

fulfill several required conditions for securing a democratic way for the Georgian state, as attested by facts and legal documents, were unfortunately left as a dream, and impartial conditions and circumstances for their fulfillment did not exist. Yet, in terms of the restoration of justice, even in the case of setting a wider task, taking concrete steps and launching the process, separate measures may not have achieved the desired results, and justice may not have been restored as seen in the people's dreams.

Most regrettably, the society cannot see even an attempt at the restoration of justice. It is even more regretful that throughout the conditions of long and various formations, this state has gained the historic experience of repression, unlawfulness and injustice that is more than sufficient for one country, while none of the attempts to restore justice have been either successful or productive. The successful case of the Kiladze Brothers won in ECHR should be remembered from our immediate past, which has followed the inaction and failure to enforce the 1994 law on rehabilitation of the repressed persons, and in which the ECHR has clearly established non-existence of our state's will to pay moral compensation to victims of Soviet repression. Following the decision on the Kiladze Brothers in 2010, justice should have been finally restored for the victims of Soviet repression, as the decision of the ECHR enjoys a greater legal force and binding character than the decision of the UN Human Rights Committee. Remarkably, the 2005 decision of the UN Human Rights Committee on the case of Shota Ratiani, by which Georgia was instructed to revise his guilty verdict and fully compensate the inflicted material and moral damages, is still not being enforced.

The infinite historical chain of injustice must be broken and we should somehow get out of this vicious circle! Otherwise, Georgia cannot become either a democratic or developed state. On October 27, if people vote for the president after becoming aware of the pre-election agendas of each nominee, we may materialize a second chance - an equally important, historic democratic change - to restore justice and put an end to unlawfulness and injustice, which is the sole and single prospect of a modern democratic society for changing the situation with regard to human rights.

Merab Kakulia

Economic Dynamic: Reality and Prospect

Throughout the first three quarters of 2012, the Georgian economy was developing rather dynamically: the annual real growth rate of the Gross Domestic Product (GDP) over this period comprised an average of 7.5%. In the third quarter of 2012, slowdown of economic activity began and evolved into a sharp decline in the real GDP growth rate towards the end of the year. In the fourth quarter, the economic growth rate decreased to 2.8%. In the sectors where high economic activity was recorded in the first three quarters of the year, growth rates particularly fell in the manufacturing and construction industries.

The economic slowdown deepened in the first quarter of 2013, when the Real GDP growth rate, in contrast to the corresponding period of the previous year, declined to 2.4%. The sharp fall in annual growth rates was evident in the manufacturing, hotel and restaurant and financial sectors while a decline was recorded in the construction, energy and transport sectors.

In the second quarter of 2013, the Real GDP annual growth rate fell to the lowest mark in the last three years – 1.5%. According to preliminary assessment of the National Statistics Office of Georgia (Geostat), average economic growth in the first eight month of the current year comprised 1.6% in annual terms.

All the above said indicates that the Georgian economy consistently deteriorated throughout the past year.

Factors impeding the economic growth

The economic slowdown in Georgia, as stated above, began in the third quarter of 2012 when the parliamentary election campaign was entering a decisive stage. This process was further intensified following the defeat of the ruling party – the Unified National Movement – in October's parliamentary elections. Prior to assessing the impact of the election campaign and the change of government on economic growth, it is expedient to offer a brief overview of the macroeconomic factors which have directly instigated the economic slowdown in Georgia.

The fall of economic growth rates has largely been caused by a significant decline in foreign direct investment (FDI) whose total volume in four quarters[1] (including the third and fourth quarters of 2012 and the first and second quarters of 2013) decreased by 22% in comparison to the corresponding period of 2011-12. It is noteworthy that during this period, FDI more or less decreased almost in all major sectors.

Evidently, foreign investors perceived the uncertainty associated with the parliamentary elections and the change of government quite intensely which was manifested in the "wait-and-see" behavioral model.

The ascension of the new government to power also weakened the activity of local investors since following the elections the government radically changed its approach towards Georgian business which had previously been determined by "rules of the game" based on elite and political corruption. As a result, the demand for bank loans has sharply decreased: while an annual growth rate of corporate loans was at an average 16% during the first seven months in 2012, the same indicator in the corresponding period in 2013 decreased by 2.3 times to 7%.

The decrease in investment is indicated by a significant reduction of the import volume of investment goods.

1 The FDI indicators for the first and second quarters of 2013 are preliminary data.

Along with FDI, infrastructural expenditures of the budget have been a key factor in economic growth in Georgia over the last years. Despite fiscal consolidation policy pursued by the government in 2012, large expenditures were allocated, primarily to finance infrastructure projects, which played a significant role in maintaining high rates of GDP growth over the first three quarters.

In last year's fourth quarter and in the first half of 2013, the funding of such expenditures was delayed. One of the principal reasons has been the new government's review of procurement procedures which was brought about by the non-competitiveness of previous tenders and serious irregularities revealed in the activities of winning companies. The disruption of infrastructural expenditure, clearly, contributed to the weakening of economic activity.

Decline in investment and the suspension of infrastructural projects had an obvious negative impact on aggregate demand. In addition, the expenditures incurred by the government on goods and services significantly decreased: in the first quarter of 2013, their volume, in contrast to the previous year's corresponding period, decreased by 49.6%. The decreasing trend in state consumption continued in this year's second quarter.

An important factor in the decrease of economic growth is the decline of consumer demand. Despite the fact that directly following the elections (in October-November 2012), the Consumer Confidence Index (CCI) increased sharply, which points to a positive perception of the change of government, towards the end of the year it fell with a similar abruptness. In January and February, consumer attitudes improved once again, although in March, the CCI fell again. The same has happened in May and in July-August, respectively. The above indicates that Georgian consumers developed a less optimistic attitude following the parliamentary elections which manifested in their weakened propensity to consume.

The decrease in consumer demand is partially confirmed by loan statistics. The annual growth rate of the total volume of loans

issued to households by commercial banks sharply declined: in the first seven months in 2013 the figure comprised an average of 18% which in the previous year's corresponding period amounted to 33%.

The reduction in the demand and namely, consumer demand is also evidenced by a decline in import which is largely associated with the decrease of fuel and food imports. Beginning in November 2012, the import volume has been decreasing in annual terms on a monthly basis. The annual decrease in import reached its peak in March 2013 when it amounted to almost 10%. This downward trend continued until July, becoming an important factor in ensuring the stability of exchange rate of the national currency.

The weakening of household proneness to consumption is also indicated by an increase in individual deposits. Prior to the parliamentary elections, their growth rate began decreasing and in September amounted to an annual 7%. Subsequently, the formation of such deposits accelerated: in the first quarter of 2013, the annual growth rate comprised an average of 18% and in the second quarter – 21%.

Political and policy uncertainties

All the macroeconomic reasons which directly caused the decline in GDP growth in Georgia are more or less connected to the parliamentary elections and the change of government.

Political uncertainty implies the anticipation of domestic political instability by investors. In the context of Georgia, this is caused by the incompatibility with the president of a government formed by the parliamentary majority in a presidential republic which the aspiration towards "cohabitation" repeatedly declared by both parties has failed to outweigh.

The risk of political instability has been perceived as more intense until the acting President retained the power to dissolve the parliament and, before the new parliamentary elections, staff the government at his sole discretion. After the President was stripped of this right following constitutional amendments (March 2013), political uncertainty, as such, has significantly neutralized.

Despite the above stated, the President continues to pose a rather serious inconvenience to the new government as evidenced by his attempts, during his numerous overseas visits, to discredit the new government and weaken the confidence in it. The new government's extremely negative assessment of any and all reforms undertaken by the previous government has also merited divergent perception on the part of foreign investors.

It is important to distinguish between political uncertainty and policy uncertainty. A principal form of the policy uncertainty is the regulatory uncertainty which implies the possibility of adverse changes for investors within the current regulatory framework.

Among the political risks existing in developing countries, investors are most susceptible to regulatory uncertainty. Thus, it is no surprise that some international observers largely associate the cautiousness of foreign investors towards Georgia during the pre-election and, especially, the post-election periods with possible changes in the regulatory framework.

In experts' view, a conspicuous example of regulatory uncertainty is amendments to the Labor Code which were initiated by the new government. This notion is not shared by the former EBRD Director for the Caucasus, Moldova and Belarus, who believes that the changes in the Labor Code will render Georgia's investment climate more attractive. In our opinion, the original draft of the amendments to be introduced to the Labor Code was unfavorable for investors as confirmed by a very recent study published by PMCG. Although, the amendment of the Labor Code is not the only factor. The problem of regulatory uncertainty should be examined in a wider context.

As is known, the economic policy professed by President M. Saakashvili's government was founded on Libertarian doctrine and preached the superiority of the free-market and the principle of "minimal government;" however, in reality, it did not shy away from auth-oritarian style of governance, property rights infringement or blatant state interference in the economy. Nonetheless, through an efficient communication strategy, the previous government managed to establish a reformatory image on the international arena. Against this background, among the influential circles close to investors and donors, doubt was conceived that the new ruling coalition, which comprises ideologically different forces and, was, for many years, in irreconcilable opposition to Saakashvili's regime, will demonstrate political will to retain and develop the positive (in their opinion) trends which it has inherited. Unfortunately, the new government has so far failed to develop an effective communication mechanism. Nevertheless, foreign experts well aware of Georgia's economy believe that the business climate in the country has not only not deteriorated but is developing for the better.

Regulatory uncertainty is further fueled by occasional early statements issued by the government regarding amendments to the regul-atory system when details are not yet fully clear or politically agreed upon within the ruling coalition. This was the case in regard to the Labor Code which was followed by complex and protracted discussions with stakeholders. At the same time, influential members of the government expressed substantially different views regarding the original draft of amendments to this law submitted to the Parliament. Ultimately, a more balanced version of the Labor Code amendments was adopted by mutual concession.

Another example of regulatory uncertainty is the new draft Law on Free Trade and Competition which was developed at the end of 2012 and repeatedly discussed by experts; however, its adoption has been pending for nine months.

Such examples contribute to a sense of the instability of the regulatory framework among investors, some of whom do not

exclude the possibility of adverse changes to other legislative acts, including the Tax Code.

Policy uncertainty in Georgia also touched upon the institutional framework for investment promotion.

Upon coming to power, the new government announced the establishment of a three new investment funds, namely: the Sovereign Fund, which will be established on the basis of the Partnership Fund, the Agricultural Development Fund and the private Co-investment Fund.

The Sovereign Fund, according to available information, is in the process of establishment, although no legislative acts or draft laws on its status and operation, as well as its relationship to the National Investment Agency are known to date. We know only that the Sovereign Fund "will bring together state assets and implement strategic projects," assume the function of "international diversification" and ensure support to "youth (innovative) projects" and management of "other future funds."

The Rural and Agricultural Development Fund was established as early as late last year. One project designed to support small landowner farmers in conducting spring work has already been implemented within its framework whilst another project on preferential agricultural loans, is in progress. Nonetheless, a legal status, sources of funding and an action plan of this Fund have not yet been fully clarified and raise certain questions.

With regard to the private Co-investment Fund, it began functioning in September of 2013. According to available information, this fund will deal with financing large industrial, energy, agricultural, tourist and infrastructure projects. Moreover, a lack of large investment projects is apparent in the country, thereby creating a certain degree of skepticism about the effective implementation of strategic goals of the Co-investment Fund.

All of the above gives rise to institutional uncertainty which has

been repeatedly highlighted by international financial institutions, individual experts and analysts.

A risk of the breach of agreements (contracts) with investors laid down by the previous government can be considered as one of the forms of policy uncertainty to which foreign investors are exceptionally susceptible (after regulatory uncertainty).

Unfortunately, all more or less large FDI carried out in Georgia in recent years were accompanied by clandestine and, in some cases, informal agreements under which the Government of Georgia took certain obligations in favor of investor. These obligations, besides providing benefits under the current investment regime, enabled the foreign investor to enjoy additional advantages. For example, in order to ensure rapid return on investments by energy companies, relevant tariffs were significantly increased.

After the new government came to power, the issue of the expediency of the breach of such obligations was raised which, obviously, caused the discontent of active foreign companies.

Political shock of business

The new government immediately rejected a highly vicious practice followed by the previous government in its relationships with business entities - a significant part of the leading Georgian companies in various fields, which were formerly either controlled by relatives and friends of high-ranking officials in the previous government or regularly performed informal “tasks” assigned by the previous government, has been enjoying significant advantages over the years: “winning” privatization auctions, “prevailing” in state procurement tenders, benefitting from the actual tax immunity, retaining a dominant position in the market, etc.

Following the elections, the status of the aforementioned companies changed dramatically: under the new government, they

instantly lost all privileges; in addition, criminal prosecution of former officials which patronized numerous business entities began.

All of the above proved shocking for the aforementioned companies which, clearly, negatively affected their economic activity. The quantitative assessment of such a shock effect is rather difficult and requires a separate study; nevertheless, official statistics of the business sector provide at least some idea of its magnitude. In the first half of 2013, enterprise turnover grew by 4% in contrast to the corresponding period of the previous year while in the first half of 2012, as compared to the preceding year, the growth rate of enterprise turnover exceeded 50% – almost thirteen times more. It is noteworthy that in the first half of 2013 compared to the first half of 2012 the annual turnover growth rate of large companies decreased twenty-four fold while that of medium-sized companies reduced seven times and small companies – five times. As can be seen, the change of government had the most profound impact on large companies.

For accelerating the economic growth

Against the background of the significant slowdown of economic activity, earlier predictions of GDP growth rates in 2013 came under suspicion. The EBRD has long since decreased its forecast from 5% to 3%, the International Monetary Fund (IMF) - from 6% to 4% and Fitch Ratings - from 5.5% to 3%.

The Government of Georgia is not in a hurry to revise the official forecast for Real GDP growth (6%) whereas the National Bank of Georgia has already downsized it to 4%. Given that according to GeoStat's preliminary assessment, the average real growth of the Gross Domestic Product in January-August 2013 amounted to just 1.6% it is unlikely that over the remaining period of the year such high rates of GDP growth will be achieved that will ensure

an annual growth rate of at least 4%. Thus, it is advisable that the government revises the official forecast in a timely manner and introduces relevant corrections to the country's budget.

At this stage, three things are particularly important: restoration of investor confidence (including local ones), de-politicization and decriminalization of business and strengthening of fiscal stimulus in the economy.
The restoration of investor confidence essentially implies altering their behavioral model of "wait-and-see" which will require overcoming political uncertainty, on the one hand, and policy uncertainty, on the other.

Even though the new government and parliament has a huge credit of trust of the majority of population, both local and foreign investors have quite an acute sense of the risk of political instability. One of the reasons of such an attitude is a decision of the incumbent prime minister to step down shortly after the presidential elections - the move that is not conducive to the restoration of confidence among investors because the prime minister is perceived as the guarantor of stability in Georgia. Against this background, an upcoming presidential election is seen as a significant factor strengthening political risks even though the constitutional model will change in the country and the new president will not be able to exert any serious influence on the policy of the executive power.

The neutralization of policy uncertainty, first and foremost, implies the clear formulation of the new government's values, strategic goals and ways for their achievement and their presentation at the international level. Notwithstanding the fact that the governmental program For a Strong, Democratic, United Georgia reveals the priorities of the new government, the document, due to its format, lacks a strategic vision and systematicity; moreover, the governmental program openly indicates that the state "should determine the development strategy at the level of the main objectives and relevant indicators … within the framework of the development of strategy all functions required for sustainable

development and social welfare will be defined." Elaboration of such a strategy has been delayed which prevents foreign investors from properly perceiving the initiatives of the Georgian Government in terms of legislative amendments. Thus, in order to restore investor confidence, an urgent task is the elaboration of a medium-term development strategy (up to and including 2020). In our opinion, this should not be a lengthy document, although it should clearly reflect the new government's value system and key principles of the country's development model as well as the Economic Reforms Agenda.

The elaboration of a medium-term development strategy, as stated above, will simplify the overcoming of regulatory uncertainty; however, it will be unable to completely neutralize the problem. Investors must be confident in the fact that the existing regulatory framework, which is convenient for them, will not be subjected to drastic changes; and if it is, this will not occur unexpectedly and in detriment to their interests.

Therefore, it is advisable to develop a communication format within which possible changes in the regulatory framework will be communicated to foreign and local investors. It is recommended that this function be *fully* assumed by the National Investment Agency which will require its institutional strengthening. In addition, the current Law on the National Investment Agency, which no longer meets modern requirements, should be revised.

In order to restore investor confidence, it is essential to overcome institutional uncertainty which primarily implies the establishment of transparent and efficient institutions supporting investors. The new government has made a decision to reorganize the Partnership Fund and establish the Sovereign Fund on its basis, although the institutional framework of this Fund is not yet known. Given the high investor interest towards this reform, it is recommended that the government accelerate the drafting of relevant legislation, its review with stakeholders and its timely adoption. In our opinion, two issues are exceptionally significant: what will be the role of the Sovereign Fund as a partner for both local and foreign investors?

and what relationship will it have with the National Investment Agency? We believe that the existing institutional links between these two entities should be maintained.

Investors, and especially local investors, are also interested in the legal status and funding sources of the Rural and Agricultural Development Fund since this Fund is currently the key tool for promoting long-term investments in the agricultural sector. We believe that the government should pay more attention to the development of the Fund as an institution, including the improvement of its legal status, provision of "autonomy" from the Ministry of Agriculture and operational transparency.

As for the third - the private Co-investment Fund, although it is not part of the state investor support system, but as this fund is established under the auspices of the government and its volume, according to the Prime Minister's statement, will amount to USD several billion, it may become a rather powerful factor for investment in the country. At the same time, bearing in mind that this fund will review only large, multi-million investment proposals, a smaller-scale investment projects will still remain without financial support.

In order to overcome policy uncertainty, it is fundamentally important to ensure that investor support is "rule-based" or investors should be able to enjoy only those benefits provided by the existing investment regime. Any type of clandestine or informal agreements on the receipt by an investor of additional benefits at the expense of the state or its citizens, as was done by the previous government, should be prohibited. At the same time, the new government, where possible, must take into account the obligations assumed by its predecessor regarding investment projects already implemented or in the process of implementation in order to avoid infringement of investors' interests.

In order to speed up economic growth, it is essential to free large business entities of the state of post-election political shock which they have experienced following the cancellation of exceedingly

fallacious “rules of the game” practiced by the previous government. Due to the loss of privileges and elite guardianship, these companies found themselves opposite significant challenges: sales for their vast majority fell sharply, some were even forced to close and others faced the threat of expropriation, including due to tax debt. Given the fact that the majority of these companies are large enterprises, distinguished by a relatively high technological level and skilled labor force, their paralysis will be prohibitively costly for the country’s economy. Therefore, the issue of preserving of the economic activity of these companies remains on the agenda, but how can this be accomplished?

In our opinion, the process must simultaneously follow two directions:

Firstly, the responsibility of the companies’ management and real owners, including politically motivated individuals and their friends and relatives, should be dissociated. In this case, these enterprises will receive a chance to continue their operation and their owners, if necessary, will be subject to criminal prosecution for involvement in elite corruption schemes or embezzlement of another’s property. This way, it will become possible to depoliticize the activity of these enterprises.

Secondly, if companies reveal an economic offense, including tax evasion, for which management is directly liable, it is recommended to develop a flexible mechanism for the decriminalization of these offenses and the deferral of tax liability. Thus, it will be possible to avoid enterprise sequestration and the suspension of their activities.

The restoration of investor confidence, as well as the depoliticization and decriminalization, even in case of the demonstration of strong political will, require a certain amount of time. However, Georgia’s economy is in immediate need of a stimulus, especially as there has been a clear trend of deflation for over a year, one of the triggers of which is weak domestic demand.

The new government's active social policy, reflected in the growing dynamics of social spending in the budget, has seemingly failed to balance the negative macroeconomic effects of delayed infrastructural expenditures and decline in government consumption (procurement of goods and services) and have a substantial impact on domestic demand. Consequently, if the government does not accelerate the funding of infrastructural projects, regarding which numerous statements have been issued, and increase state procurement, it will be exceedingly difficult to overcome the economic slowdown and avoid recession.

It is noteworthy that the downturn in the economic growth rates against the background of a deflation trend will create considerable problems in terms of revenue mobilization in the budget which will clearly raise the issue of expenditure-cutting. This is unlikely to affect the implementation of social obligations assumed by the government which cannot be said of other budgetary expenses. A substantial diminution in budget expenditure, in case of a delay in FDI, could sink the economy into a recession. Thus, it is expedient that the government consider an increase in the budget deficit especially that even the International Monetary Fund is not against it.

Marina Beradze

Reform of the Health Care System: Achievements and Challenges

Further to the parliamentary election of 2012, the new government has defined healthcare as a priority alongside with education and agriculture, and considers health as an undivided right of any human being, as well as a serious factor in overall national development.

The national healthcare of most countries in the world is based on the overall strategy of the World Health Organization (WHO), which provides to its member states a means for solving specific tasks and defines national political goals, priorities, trends and directions for implementation. However, the quasi-liberal former government has never considered the advice from an international organization as reputable as WHO.

The heavy heritage of the former government

Failed project: "100 New Hospitals"

This project aimed at constructing 100 new hospitals in Tbilisi and in Georgia's regions, and referred to financial resources obtained by privatization of all state hospitals through direct sales, although without any additional investment. The lawbreaking processes determined during the implementation of this mega-project has been destroying the free market, free competition, the principle of reform, the rights of patients, and is radically against the state's interests in the development of a hospital infrastructure network in the country.

As a result, the hospital sector has totally been transferred to insurance companies that had taken responsibility for the construction of 15, 20, 25 and 100 multi-profile hospital beds.

As was expected, the above fact had a negative impact on the quality of the medical services. Those insurance companies used to develop an infrastructure using the financial resources allocated by the state budget for specific state programs.

It was expected as well that the hospitals would require the employment of qualified and certified staff. Consequently, the limited number of patients could not ensure sufficient income that would cover the costs of personnel, equipment, utilities, equipment depression, logistics and the like. Therefore, the hospitals would have to look for additional resources, which included dotations and subsidies. As such, these hospitals would undoubtedly have been unprofitable for insurance companies. Presently, the two once successful insurance companies are already bankrupted.

5 Lari (2.25 Euro) cheep insurance program

Following the failure of the implementation of the above program, 42% of population has remained without access to outpatient primary medical care, and 75% of population without access to inpatient emergency assistance. Primary healthcare has collapsed in cities and provincial centers. Further to the unjustified reforms, the previously available state programs have not been expanded to population aged 5-60 (except below poverty level population) including an urgency assistance programme. The age limit offered by the state programs has caused a great increase in the lethality index. According to WHO, "47, 000 persons die annually in Georgia, out of which, 26% is a capable of reproduction and able-bodied."

Insurance sector

Just 21% of the population has used the 'Vulnerable Care and Insurance' program. The insurance was carried out by private companies, the profit margin of which has overcome 60%, although the international practice of the insurance business considers a profit margin of 4-5%. While the above program has been

carried out by the state, the management costs used to be about 1.5%, which means that 98.5% of the amount was available for patients.

According to the resolution of the State Audit Service, the insurance sector was characterized by the higher risks and deficits of: transparent accountancy and the calculation of medical services; medical rates and tariffs based on unjustified statistics; the inappropriate financial management of state medical programs; the incorrect disbursement of budgetary program subsidies; the unreasonable disbursement of services for patients and inaccurate records of services incurred to patients; the lack of state regulatories; unfairness of some insurance companies; artificial limitation of the availability of medical services; a lack of awareness among program clients; the inaccurate database of program clients; the late offer of insurance policies to clients and consequently, the bypassing of insurance risks, which deprive others of both health and even life.

Monopolization of healthcare

Two multi-profile monopolist companies, Aversi and PSP, have In recent years, with the support of the Georgian authorities, dominated the Georgian healthcare system. The majority of the country's pharmaceutical institutions and more than 50% of the pharmaceutical sector is owned by those companies. The present law allows a company to simultaneously own wholesale and retail sale networks of imported medicines (in most western countries, whole sellers are not allowed to open retail sales networks), pharmaceutical production, multi-profile hospitals, outpatient diagnostic centers and insurance companies. The quality of medicines produced by those companies is monitored at laboratories owned by the same monopolist companies.

It is notable that no separate conditions for whole and retail selling of drugs are defined by the law. Also, a pharmacy business monitoring the state body is not authorized to determine the net cost of drugs.

The medicines imported by the above monopolist companies used to be more expensive on the Georgian market compared with most European countries. Additionally, the drugs produced in Georgia by Aversi Racionali used to be 20-25% cheaper in neighboring Armenia.

Before the parliamentary election of 2012, the opposition party used to speak about those monopolist companies and their negative impact. The opposition parties demanded the re-establishment of the State Anti-Monopoly Service abolished by Saakashvili. This service was previously greatly assisted and supported financially by the European Union since the 1990s. Even after the parliamentary election of 2012, this issue is still pending and the law on free competition has not been adopted over the last year. It is hard to find a country in the whole world where medical institutions are exclusively owned by the private sector. Until now, Georgia was a country that implemented the national health policy only to private structures. The former authorities also were unable to ensure the availability of the 350 designated "vital medicines" outlined by WHO.

Legal and regulatory aspects

The new government inherited a labor code that claims that it will abolish retirement payments for veterans, as well as to decrease the period of maternity leave for new mothers. It also allows administrations to dismiss employees without any motives or justification. The Sanitary-epidemiological service, medical expertise, dentistry (that caused the sharp increase of Hepatitis B and C in the country) and many other fields have been removed from the regulatory arena.

Healthcare in the prison system

Huge public dissatisfaction has mounted against the prison system, including its medical services, which played an important role in the process of the transfer of power. No sufficient funds

have been allocated for medical assistance in the penitentiary system. The system required adequate programs and funds for prevention, and the diagnosis and treatment of hepatitis C, as well as tuberculosis. The mortality rate was high in prisons.

Total privatization of medical institutions

Due to the perverse privatization of medical institutions, the bankruptcy of clinics has been launched. None of the hospitals and primary healthcare institutions are under state ownership. This creates huge problems in the management of state programs. Due to the careless liabilities offered by the insurance companies, and due to unreliable and unfair investors, the state has already begun the de-privatization of some medical institutions, although it is unclear how to treat those investors that have not carried out contractual liabilities and commitments.

The quality of medical services has been negatively impacted by the fact that private insurance companies were asked to build the hospitals. Those private companies used to develop the infrastructure using resources allocated by the state budget for financing state programmes.

In fact, the hospitals constructed with state funds have been found in the hands of private companies. It is expected that in the future, many problems may occur between state-owned and private insurance companies in the implementation of the state insurance package. The United Insurance Fund will be financed by the state budget and will subsidize the medical services, which is in fact a payment system rather a social insurance system.

Problems within the primary healthcare system

The primary healthcare regulatory environment is inadequate structurally, functionally and financially as well. The average monthly allowance of medical personnel working within the primary healthcare system is very low compared to the country's

average monthly allowance. The provision of service is irregular and occasional. There are important financing barriers on medical services and drugs. There are 2.1 applications per capita to the primary health care institutions. With the above index, Georgia is below the last in the list of WHO European region countries; there is a lack of functional communication links between primary healthcare and emergency services.

Thus, as a result of irrational reforms initiated by the former authorities, the human rights for health and life declared by the Article 37 of the Georgian Constitution, as well as by various international conventions, have been violated.

The New Reality

The political will of the Georgian authorities has changed since the parliamentary elections of October 2012. Healthcare has been declared as a priority and the gradual process of transition to the overall healthcare model has already begun:

- The financing of the healthcare sector has significantly been increased by the state budget: In 2012 – up to 380 million Gel and up to 650 million Gel in 2013. The population aged 5-60 that was previously not able to use either state programs or state insurance, is now able to pay for a visit to the doctor, and receive inpatient and outpatient medical services.
- Starting from July 1, 2013 the overall healthcare program has been extended and the second phase has begun: urgent cases, as well as large- scale planned surgeries (operations) are being financed. The program includes family doctor's service, laboratory research, wide-scale planned operations (70-100%) with an annual limit of 15,000 Gel. Oncological diseases are also being financed. The delivery of a baby is free. Pensions and social allowances have also been increased (the pension fund in 2012 was 110 Gel; in 2013 it is 145 Gel).

- The labor code has been improved and the correction data that has been made represent steps forward in efforts to meet European standards.
- The most successful reforms have been carried out in the penitentiary system:
  - The penitentiary system health care reform strategic document was elaborated and approved. (http://www.mcla.gov.ge/?action=page&p_id=262&lang=geo)
  - The healthcare budget for the penitentiary system was increased to 40%, although after the amnesty, annual healthcare costs of $180 USD has been increased to $670 USD per prisoner.
  - The national program of prevention, diagnosis and treatment of hepatitis C has been carried out, which is vital for prisoners; under the above program, 24,000 former or current prisoners will be investigated, 10,000 will undergo immunization and 1,000 patients will undergo treatment.
  - The wages of medical personal have been increased up to 60%; The mortality rate has sharply dropped (142 cases by October 2012 and 19 cases by October 2013). The availability of investigations for outpatient or inpatient treatment of prisoners in civic medical institutions by costs of the Ministry of Corrections and Legal Assistance of Georgia has been improved (presently above 7,500 prisoners; last year – 1,280 prisoners).
  - The supply of medicines has been improved. The expenditure on medicines has been increased from 25 to 128 Gel per prisoner per year.
  - The Tuberculosis Treatment and Rehabilitation Centre has been established.
  - Documented cases of tuberculosis have decreased from 475 to 45 since 2011.
  - A new healthcare electronic system has been developed.

It is obvious, that in a country that faces a high level of unemployment, medical insurance cannot play a leading role in healthcare. Therefore, the provision of healthcare services via state programm is still of great importance, although due to the fact that the absolute majority of medical institutions are owned by the private sector, the implementation of state programs still faces sufficient difficulties and challenges.

Recommendations

Currently, the insurance of medical staff is not mandatory in Georgia. Consequently, even the most successful Georgian medical institutions have never tried to utilize this wide-scale experience. The aim of the insurance of doctors is to protect the patient and to guarantee the quality of medical services. The insurance of medical professional staff leads to the impartiality of the medical institution, as well as the hiring of qualified medical staff by an institution. It also guarantees the meeting of internal, as well as external medical standards by medical personnel; continuous human resource development, institutional building that requires constant monitoring and the improvement of quality of services. Therefore, it is recommended to establish a special insurance company that is engaged in the provision of insurance products exclusively.

The quality of medical assistance provided by medical institutions has to be proved through its accreditation. This approach will guarantee safe and highly-quality medical assistance to patients. This will lead to:

- The establishment of international standards for medical services
- The development of an insurance system
- the abolishment of medical errors

The introduction of wide-scale medical services should be based on the use of modern information technology. Hospitals should ensure outpatient, as well as inpatient and diagnostic services by using high-end technologies. It is recommended to provide long-term medical services by home healthcare services rather than via hospitals.

The healthcare local services have to feel free in identification of its own responsibilities, liabilities, as well as initiatives. Also, it should have continuous electronic and transport communication with consulting centers. The present political, economic and social reforms have a serious impact on the daily life, health and stability of Georgian society. Due to the current situation in Georgia, it is required to define as mainstream, the reduction of diseases that cause a high rate of disability and mortality among the population, as well as the prevention of socially important diseases that cause a demographic crisis. These diseases threaten the reproductive, maternal and neonatal health of the country. Consequently, the healthcare policy should be more active on the one hand towards decreasing the illness, disability and mortality rates and on the other hand, towards the reinforcement of medical and social preventions and rehabilitation services as well.

Based on the analysis of the healthcare situation and also considering the new challenges, it is recommended that the country develop primary healthcare services in Georgian cities and in provincial centers (the planning of primary healthcare networks in Georgia). In particular: the creation of emergency services at hospitals; the availability of specialized and qualified emergency assistance; and the creation of an equal and competitive environment for insurance providers (both for the state and private). The gradual creation of a 'Common Insurance Fund' is of the utmost importance and should include: the launch of specific programs at the first phase; and the development of a relevant legal base, at the second phase, which means that 'insurance deposits' should be defined by the law on insurance. The taxes also have to be revised and adapted.

The development of a healthcare strategy chosen by the new authorities is eventually a step forward since it aims at total and overall healthcare and medical assistance of the Georgian population. This means that any person can use the state's medical services in spite of financial problems. The state should oversee the transparent and rational expenditure of funds allocated for healthcare, as well as its cost efficiency and minimization of losses.

The priority focused on highly-qualified healthcare that is defined by the country strategy of economic development through 2020, should be introduced by annual action plans and should be accessible to the public.

Following the fact that healthcare is not produced by healthcare services only, citizens should be responsible for its protection and enforcement. The implementation process of healthcare policy needs more active monitoring by Georgian civil society.

George Khutsishvili

Abkhazia and South-Ossetia Divides in the Light of Georgia-Russia Dialogue

"The common point in all major crises is that you cannot overcome them without transforming your mind".

George Khutsishvili (Nov. 1948 – Oct. 2013).

Since the early 1990s, ethno-political conflicts have seriously affected the Caucasus region, leaving more than 30,000 people dead and at least a million displaced from their homes. The legacy of these violent conflicts has been economic turmoil, political instability, mass migration and widespread suffering. Fragile official ceasefires preserved some stability for over a decade, yet internationally mediated peace talks failed to bring lasting solutions. In Georgia, two unresolved conflicts had been 'frozen' along cease-fire lines - those between the central government, on the one hand, and the secessionist entities of Abkhazia and South Ossetia, on the other - until a brief 2008 crisis 'de-froze' the conflict only to lock it in a new status quo. Deeply rooted distrust towards Russia as a peace broker in Georgian society has found a new impetus leading to almost total termination of social, cultural and political ties between the two neighboring countries. Economic relations were however maintained, although low-key against the antagonistic rhetorics on both sides.

After the conflicts had long remained in a protracted stage, never far from new eruptions of hostilities, the August 2008 Georgian-Russian five-day war over South Ossetia brought relations bet-

ween the two countries to their lowest point since the collapse of the Soviet Union. Prior to the outbreak of hostilities, conflict resolution efforts with regard to Abkhazia and South Ossetia had been largely stalemated, with no tangible progress in negotiations and a lack of willingness on all sides to conduct an open dialogue and contemplate serious compromises. According to the Report of the EU-sponsored Independent International Fact-finding Mission on the Conflict in Georgia (so-called Tagliavini Report), a surprise missile attack of the Georgian military on the South-Ossetian capital Tskhinvali has triggered the crisis. The immediate Russian military intervention and subsequent political recognition of Abkhazia and South Ossetia further compounded the difficulties of identifying viable solutions for a peaceful conflict settlement and all but eliminated possibilities for political dialogue. The subsequent political inertia and the antagonistic rhetoric on both sides was contributing to further deterioration in Russian-Georgian relations, maintaining overall tensions between the two sides, and blocking any chance for renewed negotiations. Given this stalemate, international efforts for reconciliation were in dire need to be supported and complemented by local actors, but politics were not supportive of this. The EU-elaborated approach of ‘‘non-recognition with engagement’ officially shared in Tbilisi also stumbled. The official Georgian position of disregarding civil society groups’ appeals to start dialogue with Moscow was contributing to maintaining and deepening the post-war status quo, while Georgia needed the opposite, and the international community was also unable to develop any strategies supportive of dialogue, while President Saakashvili and his government adhered to the counter-productive thesis of “de-occupation first, then the dialogue”. Considering the entire territories of Abkhazia and South Ossetia as ‘occupied territories’, the official Tbilisi has subsequently disregarded those as parties to conflict, and declared that Georgia had a single interstate conflict with Russia, derivatives or compounds of which were the disputes with Abkhaz and South-Ossets. This formula had logically completed the stalemate.

What kind of effect does the prolonged status quo and absence of communication do to an unresolved issue? Will there more or less opportunities appear, as the time passes? The answer is obvious. On the one hand, there is an objective need for de-isolation of the secessionist regions, and the Georgian government on a declarative level adhered to approaches that substantiated this need (cf. the "Strategy towards the Occupied Territories" document adopted in early 2010). On the other, we have seen the actual policies that deepened isolation and increased security risks. Russia has achieved as a result of the August 2008 war its major geopolitical goals in the region: its military presence has been reestablished after withdrawal of the bases according to the bilateral agreement signed in Moscow in May 2005. The longer the stalemate lasted, the more it meant vanishing chances for Georgia to reverse the situation any time in future. At the same time, European allies advised Georgians to preserve 'strategic patience', which is a good advise provided that a strategy exists. Without sustaining the declared policy of *non-recognition* with real steps towards *engagement*, Georgia was risking to encourage and ensure the final recognition. The only viable alternative would require abandoning of the antagonistic rhetoric towards Russia, followed by the start of Georgia-Russia dialogue on a wide spectrum of issues. Yet this could not happen, as escalation of antagonism towards Russia served for Saakashvili's government as a tool for achieving internal mobilisation of society, external political support, and as a justification and vindication of failed approaches towards unresolved conflicts.

The lack of visible progress in verbally supported Georgia-Russia dialogue has also resulted in further polarisation of public perceptions between all sides involved in the conflict. As part of this, civil society dialogue between the conflicting communities has decreased substantially, giving way to apprehension and mistrust.

The Russian Position(s)

There are actually two positions manifested so far on the Russian side. One is strict enough and demands that Georgia recognizes Abkhazia and South Ossetia as independent states, officially complies with the existence of interstate borders with those two entities, changes its foreign-political orientation and curbs its Euro-Atlantic integration programs, and effectively joins the Russian-controlled alliances, such as CIS, the Customs Union and, in a longer prospect, the Eurasian Union. No question is even discussed about what Georgia gains in return if she does all that. Bearers of that mindset insist on seeing Georgia not only as a small, weak, poor and vulnerable state, but a state that can only survive under Russia's protectorate and with Russia's benevolence, albeit with a reduced territory. Georgia as a state is not really part of the equation at all, and is considered as America's and NATO's geopolitical instrument threatening the security of Russia' southern borders. Who can be identified with this position? Mostly, these are representatives of power structures and like-minded segments of society, people obsessed with the imperial grandeur syndrome, and people who are profited from the post-conflict status quo.

More objectively minded and moderate people realize Russia and Georgia need to build neighbourly relations, develop cooperation and, despite the obvious disproportion in size and power, achieve compromises in difficult issues to mitigate the outcomes of the long-lasting distrust and a recent armed confrontation. They are aware of the so-called 'red lines', meaning that Georgia cannot afford changing partners, especially, overnight and for nothing, and that Georgia cannot recognize and legitimize breakaway regions to appease Russia, as well as Russia cannot revoke its decisions of August 2008 just to appease Georgia. But starting rapprochement has no alternative, and it should start from doable things first. Nostalgia among Russians for Georgian wine, mineral water and agricultural products that were banned since 2006 on the Russian market, facilitated the efforts of the new Georgian government to

start negotiations and achieve progress in returning those goods to where they once had been so popular.

The Georgian Position(s)

Saakashvili's government created the much disputed conception of non-transformability of Georgia-Russia relations. Saakashvili and his team were trying to persuade everyone that Russia is not swallowing Georgia only because they have created a defense wall against it. They had been positioning themselves as the only and uniquely bright, far-sighted and patriotic team who constantly had to fight not only against external threats and challenges, but also against internal agents of influence and fifth columns operating under the disguise of political opposition and their supporters. Therefore one-party rule and marginalization of the opponents should have found legitimization. It is amazing how the external world would buy this story without raising serious questions, yet it is a fact that it did.

The Istanbul Process and Efforts that Followed

Shortly after the August 2008 crisis, ICCN initiated a dialogue process of Georgian experts with their Russian counterparts, with a long-term aim to catalyse a broader political dialogue and reconciliation process. The first meeting under the title "Georgian-Russian Relations: Ways out of Crisis" was held in Istanbul, Turkey, in early November 2008 and included prominent Georgian and Russian political experts. This was the first direct cross-border exchange of positions and expert opinions regarding the August 2008 crisis, which marked the beginning of a wide-ranging exchange and analysis concerning the fundamental causes of the conflict, key trigger factors, and potential mechanisms for stabilising relations. Main directions of further work were agreed

in a Memorandum titled *The Istanbul Process*. After ongoing communication amongst the group, facilitated by ICCN, a second round of dialogue was organised in November 2009 with a larger participation on both sides.

Despite differences in positions and perceptions, the participants have identified and agreed on a basic set of common goals, including the full support for the implementation of the Medvedev-Sarkozy plan of 12 August 2008, and the need for mechanisms for ongoing dialogue between the civil societies of Russia and Georgia.

The group further identified the need for scientific research to back up and inform the debate. Consequently, a qualitative research on Georgian public perceptions of Russia and Russians has been conducted. The similar study on the Russian side has also been carried. The results of the completed entire research (material collecting/processing/analysing/structuring/editing have been presented at the meeting in Istanbul in November 2012. The resulting book was published in Russian, Georgian and English in spring 2013.

The Istanbul Process in 2010 has also led to the first publication of analytical articles jointly written by a group of Russian and Georgian experts, on the subject of Georgian-Russian relationships and dynamics in the current context.

So-called advocacy visits are important part of the dialogue process that enhances the Istanbul process. In that respect the Istanbul Process group visit to the United States in late September 2012 proved a great success. Georgian and Russian scholars were able to deliver their findings and recommendations to a broad spectrum of state and academic institutions. The US representatives acknowledged that the visit has bridged the gap in information and understanding of the processes in Georgia and the Caucasus region (as confirmed by the surprise the October 2012 election results produced).

The Situation in Georgia since the October 2012 Elections

The situation in Georgia has dramatically changed after the opposition "Georgian Dream" Coalition defeated the ruling "United National Movement" in October 2012 parliamentary elections. One of the definite public demands during the election campaign was building the dialogue towards normalization of the relations with Russia. The new government and parliamentary majority declared a new course for rapprochement with Russia. Special Representative of the Prime Minister of Georgia to Georgia-Russia Relations has been appointed - Amb. Zurab Abashidze who has been an active participant of the Istanbul Process. However, the initial attempts to create a basis for a sustainable Georgia-Russia dialogue have been developing in a difficult surrounding where there are advocates as well as skeptics for the process on both Georgian and Russian sides. There is also an open criticism and discrediting campaign from the representatives of the United National Movement, now in opposition, who are trying to prove that it is impossible to build relations with Russia while pursuing Euro-integration, and thus to substantiate that their policies of alienation from Russia were justified.

Georgia has been engaged in political debates since the parliamentary elections of October 1, 2012 over a number of issues where positions of the ruling Georgian Dream Coalition and its constituency in Georgian society, on the one hand, and the oppositionary United National Movement and its supporters, on the other, have been fundamentally or moderately different. Yet, there is one issue that stands alone in its significance and crucial character for the country's further development, and this is the question if European and Euro-Atlantic integration - and generally, Western orientation - and stable and predictable relations with Russia are mutually exclusive or compatible. Opposition's most severe criticism and categorical non-acceptance of the new majority's policies focus exactly in the answer to this question. Moreover, some opinions expressed in international press and by some foreign politicians confirm that there is a predicament

around this question that cannot be resolved through a political debate but needs clarification through a substantial analysis and discussion together with professional scholars.

It is clear that international support for the historic process of building dialogue between Georgia and Russia should go via both political and non-governmental channels. Even in current circumstances when Georgia is interested in changing the post-August status quo while Russia is inclined to maintain it, and yet both sides realise that no progress can be achieved on the dispute over the Abkhazia and South Ossetia status, there are indications that economic, humanitarian, cultural and security aspects of the relations can be successfully explored. This would in its turn influence the current stalemate in Georgian-Abkhaz and Georgian-Osset relations, opening new windows of opportunities. At the moment the idea of restoring the railway connection of Russia to Georgia via Abkhazia and cooperation of the sides for joint exploitation of Inguri Power Station occupy people's minds as possible venues.

The intellectual Dilemma or a Political Manipulation?

Co-habitation between the post-election majority and minority was envisaged as a tool to stabilize the country and ensure its peaceful and democratic development. Instead, Georgia represents an arena of a severe political battle. The new parliamentary majority and government of Georgia are making first difficult steps towards normalisation of Georgia-Russia relations while stating that a long-chosen strategic course for Euro- and Euro-Atlantic integration is not going to change. At the same time, the opposition National Movement and its leader Mikheil Saakashvili are declaring that it is impossible to normalize relations with Russia while maintaining strategic partnership with the West. Remarkably, there appear some Western journalists and politicians who support this politically motivated thesis, although the whole Western academic thought has substantiated the opposite. The project aims at broadening

the area of discourse to involve leading world institutions and think-tanks to validate the possibility and necessity for Georgia to build economically advantageous and culturally mutually enriching relations with Russia, on the one hand, and ensure security of Russia's southern borders and stabilize tumultuous areas of Russian North Caucasus, on the other.

In the current political climate, the activation of a dialogue between the Russian and Georgian sides is attainable through civic agents and track-two diplomacy, together with a renewed meaningful dialogue between the political elites. In the long-term, provided such a process attains sufficient levels of trust and credibility amongst the parties involved, it has the potential of connecting with decision and policy makers to make a lasting difference. Civil society can play the bridging and monitoring role that has strengthened security sector governance in most Western countries. From the side of the government, this will require acknowledgement that CSO participation in peace-building and security matters ultimately strengthens the security of the state, and a commitment to continue this co-operation. In practice, however, much of the responsibility for supporting and developing civil society in Georgia will continue to fall on external actors such as international institutions, INGOs and policy bodies.

The Prospect of Track-One-and-a-Half

So far the Istanbul Process developed as a track-two process. The intension was to activate high-profile non-governmental experts and civil society leaders for exchange of independent positions and creating a scholarly discourse. Gradually IP turned into an influential source of expertise for the assessment of political developments and media analysis. Some of the IP participants got high positions in the government and parliament of Georgia after the October 2012 parliamentary elections (e.g. Messrs. Paata Zakareishvili, Zurab Abashidze, Giorgi Volski, Archil Gegeshidze et al.). They continue to actively cooperate with IP. Russian participants of the Istanbul Process confirm that representatives

of Russian official circles would be interested to engage in dialogue whenever the format allows. The process therefore has all the preconditions to rise from track-two to track-one-and-a-half, i.e. from the format of non-governmental expert dialogue to a mixed format of governmental and non-governmental dialogue. A good example of such a transition of a dialogue process is so-called 'Point of View' process started in the fall of 2008 by George Mason University's School of Conflict Analysis and Resolution (former ICAR) in partnership with ICCN and focused on Georgian-Osset dialogue. A series of meetings and roundtables initially comprising non-governmental leaders and experts from Tbilisi and Tskhinvali gradually turned into a powerful and sustainable process involving both governmental and non-governmental representatives, which has allowed to professionally and efficiently deal with the issues that require presence and involvement of decision-making persons and bodies.

Infrastructures for Peace

Infrastructures for Peace (I4P) are an internationally proven tool for managing peaceful transformation of post-war and conflict situations. The impact of I4P on the peace and reconciliation process was made most salient through Peace Commissions created by governmental decisions in Kenya, Ghana, Uganda and Costa Rica which invited on different structural levels governmental and civil society representatives who worked together on elaboration and implementation of viable decisions. Application of I4P to the processes related to Georgia-Russia and Caucasus unresolved conflicts will further support the achievement of the project goal.

Success and risk factors

Despite the positive signs of the starting dialogue, the current state of relations between Georgia and Russia as well as approaches that the actors have towards the conflict solution pose barriers to

continued dialogue between the sides. Therefore, it is important that through the careful selection process and ICCN's reputation, the expert group has credibility amongst relevant stakeholders. This credibility can be maintained and built on provided that the group can demonstrate clarity of purpose of its advocacy actions and recommendations, and that the these build on empirical and analytical quality. The assumption is that the group will be able to progress from its current level of engagement -consisting of an overall exchange and debate - to a degree of common identity, purpose and, eventually, joint action. This would entail the ability of the group to reach consensus on certain key issues and recommendations; or alternatively, the ability to agree on the validity of differing perspectives to be presented in joint recommendations. Key *risks* include:

- The process could have a negative impact on the situation and deepen the existing controversy if the dialogue is not conducted correctly and is driven by some hidden interests. The role of GPPAC as independent facilitator and its close collaboration with ICCN with its local knowledge is important in this aspect. Relevant lessons learned and additional indicators pertaining to the facilitation role will be identified as part of the action learning process, to allow for a constant fine-tuning and adjustment of methodologies.

- The lack of political space and polarised public opinion could restrict the dynamics and level of engagement of the participants in the Istanbul Process. Providing at an earlier stage a safe space for dialogue outside this immediate context - both physically (e.g. Istanbul, Turkey; Chatham House Rule where appropriate) and virtually (anonymity and closed communities on the Peace Portal) was vital. In addition, the group was encouraged to openly voice concerns and have ownership of external communications, reports and position papers. Now there is a clear opportunity to conduct some meetings and other activities in Tbilisi or

other cities in Georgia, and also in Russia provided we can count on benevolence of local authorities, which gives rise both to optimism and caution.

- More proactive cooperation with Media and publicising the key outcomes and messages coming of the Istanbul Process discussion can hamper the dialogue process if conveyed incorrectly and against the principles of conflict sensitive journalism. This is valid particularly for the media identifying with the opposition part of the Georgian political spectrum, whereby the Georgian participants of the Istanbul Process can be accused of compromising the Georgian State position. However, this risk factor can be avoided by engaging and including the key media representatives as participants of the Istanbul process.

Output level:

To achieve the planned outputs, the main assumption is that the current level of engagement and interest of the Istanbul Process participants is, at least, maintained. A key preoccupation will therefore be to keep up the momentum between physical meetings and to ensure the participants have ownership of the content. There is also an assumption that the partners, participants and stakeholders involved have sufficient research and analytical skills to produce quality findings. *Risks* associated with the implementation of the activities include:

- If there is a breach in the levels of trust and intra-group dynamic there is a risk of fall-out over controversial issues.

- Gaps in research and analysis, such as omission of a gender perspective or of the recommendations of the region's gender consultants.

- Physical restrictions to meet (both Istanbul and Tbilisi/ Moscow meetings) due to visa restrictions, conflicting agendas, or physical conditions in the host country. The Peace Portal provides a virtual meeting alternative in these cases.

- The possibility of tools and resources produced not meeting the needs of relevant stakeholders or not being sufficiently accessible (technologically; content-wise); the production of these must therefore be seen as an ongoing process rather than an 'end of project' product, being evaluated and updated on an ongoing basis to ensure they meet real needs.

- Risks and measures related to increased media engagement, as outlined above, also apply to outputs.

Two doctrines and two alternative visions in Georgia

Since being in opposition, UNM has managed to activate the discourse - internationally even more than domestically - over an alleged controversy in post-October Georgian policies of pursuing the goal of normalizing relations with Russia while maintaining the strategic pro-Western course and Euro-Atlantic integration.

His probable judgment was like this. It was highly unlikely that the geopolitical circumstances and disposition of powers changed favorably towards solution of the Georgian territorial issues within the term of his stay in power. Therefore there could be two alternatives in view: one was to prepare the ground - by difficult step-by-step movement - for future generations of politicians to resolve the issue, with most probably no hail finally credited to him, keeping in mind the undeveloped political culture and post-totalitarian mass mentality in the country. The other alternative was to lock the geopolitical situation within the limits that guaranteed an impasse but gave legal grounds to place the whole responsibility for it on the Russian side. The August war provided an almost perfect opportunity for this kind of development.

From a number of eyewitness evidence reflected in publications and interviews, it can be considered as a proven fact that President Saakashvili has crossed out from the shaping ceasefire agreement of August 12, 2008 a point according to which the future status of disputed territories should have been stated in the course of internationally facilitated negotiations, for which purpose a special commission was to be established. Reportedly, his action caused surprise of Presidents Sarkozy and Medvedev, but the final text of the famous six-point agreement was finally adopted without that point. Observers tended to explain Saakashvili's action as a whim or confusion, but it was in fact a purposeful step that fitted into his personal long-term strategy towards unresolved conflicts and Georgia-Russia relations. Soon after subsequent recognition by Russia of Abkhazia and South Ossetia as independent states (August 26, 2008) signed by President Medvedev, the status of occupation has finally shaped in the Georgian government and the Law on Occupied Territories was unanimously adopted by the Georgian Parliament in October 2008. Immediately the UNM doctrine has become clear in all its features. Georgia no more had conflicts or 'ethno-territorial disputes' with Abkhaz and South-Ossets - these issues have always been compromised by the Russian factor and now simply ceased to exist due to new realities - and only the conflict with Russia had finally taken a long-expected final shape. Developing a 'creeping annexation' into an open one, Russia has according to the UNM doctrine managed by means of the August war to establish full control over the seceded territories and restore its strategically important military presence in Georgia. It does not make sense to develop relations with Abkhaz and Ossets ruled by marionette regimes until de-occupation of Georgian lands is done. Thus the formula: "De-occupation first, then the dialogue".

Russia's rationale according to the UNM doctrine:

- Russia has never reconciled with independent and sovereign Georgian statehood, and since the fall of the Soviet Union used ethno-territorial disputes and her role of a broker for manipulation and pressuring aimed at keeping

the former Union republics within Russia's sphere of influence;

- ABL with South Ossetia has been moved to as close as 45 km from the capital Tbilisi, thus creating an intermittent threat syndrome and leverage for pressure;

Saakashvili's rationale in shaping the UNM doctrine according to independent analysis:

Saakashvili's doctrine imposed on Georgian society the extreme position in confronting the problem that excluded any progress in case of an extreme position. For the external consumption he needed to portray himself as smarter than the society, the latter being retrograde, backward and retarded.

Conclusion

There was a widely quoted - and largely ridiculed - sociological poll conducted in the fall of 2008 in Georgia that showed 22% respondents believed Georgia has won the August war with Russia (!!). Analysts explained that as an effect of skillful propaganda of UNM. Strange as this may sound, there was accuracy in that poll result, only it was not Georgia, but Saakashvili who won his personal war with Russian leaders, and through that, with his own nation.

Domestic and international reaction to the two doctrines. Expressed opinions

Experiencing a serious lack of arguments to support their flagship thesis of new government's betrayal of the declared pro-Western course, UNM would fervently look for any hint to build on towards a severer criticism of GD's foreign policies.

Not always very shrewd in choosing persons for high places, Ivanishvili has made a flawless choice when he decided to appoint Zurab Abashidze to the newly established post of PM's Special Representative for Russia Affairs. Former Georgian Ambassador to Benelux and later Russia is not only a connoisseur in his sphere, but also a very skillful and cautious diplomat who would never award PM's opponents with any compromisable or even ambiguously interpretable data. Unlike the State Minister on Reintegration (in charge of conflicts) Paata Zakareishvili who could bluntly voice in earlier period of his appointment disputable ideas able to create a negative discourse, UNM has to build their criticism of the Georgia-Russia negotiations vis-à-vis EU integration policies almost solely on pure allegations, yet somehow taken seriously by EPP and others in the world.

Can a small country be independent? or is it only about which dependence we would prefer or accept? is it possible to serve two patrons?

post-modernist thesis that interdependence is better than independence sounds a blasphemy here, but it really means that you get leverages in the former case, otherwise independence detaches, isolates and finally harms. Lack of communication enforces the enemy image, creates phobias and increases a risk of confrontation. Alternately, communication and interdependence increase predictability in bilateral relations and promote trust.

The Developments Since the October 2012 Election*

* Independent Experts Club pays tribute to the memory of one of the founder and member of the club Prof. George Khutsishvili, whose life unexpectedly been terminated during his work on one of the articles of the present publication. Mr. Khutsishvili's multiyear activity has been connected with his restless efforts of conflict resolutions. His research heritage is absolutely inestimable for future development and wealthy of Georgia

Tengiz Pkhaladze

The Foreign Policy Challenges of Georgia

A of late, foreign policy has become one of the main challenges of the newly appointed government in Georgia:

Firstly, following the 2012 parliamentary election, the Georgian Dream coalition government dedicated most of its time and attention to the domestic problems of the country and to the cohabitation regime with the United National Movement party (UNM). This latter process had been under the scrutiny of the international community and the newly appointed government was put in a position of constant self-defense.

Secondly, the question of a foreign policy orientation shift often invoked harsh debates in political circles in Georgia and abroad.

Lastly, according to the Georgian Dream coalition election program, the government pledged to employ an effective foreign policy which would strengthen state security and the country's standing in the international arena.

The challenges associated with the process of cohabitation reflected negatively on the foreign policy of the country. Frequently, the international tribune, i.e the Parliamentary Assembly of the Council of Europe) was employed to confront political rivals, rather than to discuss the important challenges facing the country.

Our Western partners regularly expressed their concerns in relation to domestic politics and suspected signs of selective justice and political repression in Georgia. These concerns were expressed from different countries and international tribunes, with the members of the European People's party and some of the American senators and congressmen being particularly vocal. The internationally

respected newspaper Washington Post also criticized the political situation in the country. Such negative remarks can be explained through existing mistakes and weaknesses and lack of coherent communication with international partners.

As said above, the Georgian Dream coalition government was often put in the position of self-defense. There were times when it responded to the concerns in an emotional manner. Unfortunately, no in-depth analysis was conducted to study the critical remarks that would form the baseline to overcome such shortcomings. No plan was presented on Georgia's development that included the prospective initiatives of the new government. The existence of such a plan would enable the Georgian Dream coalition to ask our international partners for more active engagement and to solve the pressing issues facing the country. This plan would have increased the cooperation and would have softened the criticism.

In addition, the government fell short of creating and disseminating in a timely manner uniform set of messages aimed at the international community in order to provide a comprehensive description of the processes that took place in Georgia.

The rivalry between the Georgian Dream coalition and the UNM also complicated the appointment of the representatives of the diplomatic missions of Georgia abroad. In some cases the appointments were delayed, at the moment, Georgia still lacks ambassadors in a number of countries.[2]

Unfortunately, the Georgian government failed to use other mechanisms that would partly eradicate the setback in diplomatic representation. For instance, the government could assign temporary envoys, or special representatives which would not replace ambassadors but could have ensured the smooth operation of the diplomatic missions.

2 By September 2013, Georgia lacks ambassadors to United Kingdom, Germany, China, Estonia, Bulgaria, Iran and Uzbekistan.

According to the election program of the Georgian Dream, Georgia continues its integration path towards European and Euro-Atlantic institutions.

Despite such a statement, the "prospective" shift of foreign policy orientation of the country has been constantly invoking harsh political debates.

At first, the Georgian Dream coalition solely denied the accusations. Over several months, it managed to take an initiative and to instigate a resolution on the country's foreign policy priorities at the Georgian Parliament. This resolution was discussed by the political actors and civil society representatives. The text has undergone a number of changes. However the constructive mode of the final document derives from the consensus between the rival parties. Georgian parliament on March 7, 2013, adopted this resolution not through a simple majority vote that includes the possibility to outweigh the rival parties, but through a consensus. Resolution once again confirmed the inviolability of Georgian foreign policy's Western orientation. At the same time, the initiative could have been broadened in scope and included in some other official documents that would illustrate the strategy, aims and objectives of the new Georgian government. Unfortunately, no such action was undertaken and due to this fact, the government was often criticized at home and abroad. Below the main dimensions of Georgian foreign policy will be outlined.

Relations with the European Union

Bidzina Ivanishvili, the Prime Minister of Georgia visited Brussels in November of 2012 where he held official meetings with Jose Manuel Barosso, the President of the European Commission, and Anders Fogh Rasmussen, the Secretary General of NATO. Notable progress was achieved in relations with the European Union during the past years.

Firstly, the negotiations over the association agreement with the EU have been finalized, which also include the Deep and Comprehensive Free Trade Agreement. The efforts of the Ministry of Foreign Affairs, European and Euro-Atlantic Integration, along with PM's visits to Lithuania, Latvia and Estonia played a crucial role in achieving such success with the EU.

During Ivanishvili's visit in Latvia, Georgia received guarantees that an association agreement will be initiated at the Vilnius Summit with the prospect of signing it in the very near future. There is also notable progress in the field of visa regime liberalization. In 2013, Georgia was handed an action plan, implementation of which, will significantly ease the movement of Georgian citizens across the EU. However, it should be noted that relations with the Eastern European states are more dynamically and actively evolving, rather than with the Western ones: Great Britain, France and Germany. Few visits were conducted in Western European states, and an insufficient degree of communication is apparent.

Relations with the North Atlantic Alliance

The NATO-Georgia Commission provides a unique framework through which each side pursues active political dialogue. The completion of the annual national programme is playing a determinative role in the country's relations with the alliance. The visit of the North Atlantic Committee (NAC) in June, 2013, stressed the particular relations between the alliance and Georgia and illustrated NATO's support to the country's Euro-Atlantic aspiration.

Georgia also broadened cooperation with the NATO aspirant countries: Bosnia Herzegovina, Macedonia and Montenegro. In 2013, Georgia's seaside city of Batumi hosted a Deputy Chiefs of Defense Meeting which was held within the South-Eastern Europe Defense Ministerial. The deputy chiefs of staffs of the armed forces of the NATO aspirant countries held a quadripartite meeting.

In 2013, and within the framework of the NATO Foreign Affairs Ministerial, the 3+4 format meeting was held between the members of the alliance (Turkey, Poland and Romania) and aspirant countries. After the NATO Chicago summit, such dialogue constituted the first high-level meeting between the members of the alliance and aspirant countries.

Georgia is currently the largest non-NATO troop contributor to the International Security Assistance Force (ISAF) in Afghanistan. Georgian troops serve in the most dangerous area (Helmand province) and in June, 2013, Georgian casualties increased to 29. The troops have now been transferred to a more secure area.

Georgia and the Alliance cooperate over the country's compatibility with NATO's military forces. More Georgian soldiers are attending the training courses and professional programs abroad. Within the framework of the "Port Visit", NATO Marine Commandership's permanent group of marine sappers including two German and one Turkish frigate entered Batumi port. The crew of the vessel organized a joint training of the Special Task Forces of the Ministry of Defense and the marine divers of the Border Police Coast Guard of the Ministry of Internal Affairs at the bottom of the sea.

"The port visit" marks the first time in history of the Georgia-NATO partnership when a vessel under NATO flagship entered a Georgian port.

Georgian society expects to define new phases of cooperation between the country and the Alliance. It is important for the Georgian government to deepen bilateral relations and to better communicate the domestic state of affairs to our international partners.

At the moment, the NATO alliance is in the process of decision-making. Georgia should be prepared for diverse outcomes that might derive from the summit, but the Georgian Dream coalition government also should act proactively and advance and stand for the preferred decisions.

Relations with the United States

The United States of America remains the main strategic partner of Georgia. U.S.-Georgia relations are founded on the 2009 U.S.-Georgia Charter on Strategic Partnership. The U.S.-Georgia Strategic Partnership Commission comprises four bilateral working groups on priority areas identified in the Charter: democracy; defense and security; economic, trade, and energy issues; and people-to-people and cultural exchanges.

In the period of November 2012 through October 2013, the meetings of all four area working groups were carried out; by the end of 2013, the conduction of a plenary session is planned.

After victory in the 2012 parliamentary election, Bidzina Ivanishvili declared his intention to pay his first official visit to U.S. However, the visit was postponed for an indefinite period.

On June, 2013, the U.S. House of Representatives approved the H.R. 1960 National Defense Authorization Act, which in section 1244, it contains a statement, critical of the newly appointed Georgian government. This document will be further deliberated by the senate which leaves room to apply more endeavors in order to improve the final version. It should be noted that as a result of the government's and legislative branch representatives' efforts, Senator John McCain and Senator Lindsey Graham made statements supporting the path of Georgia.

The partnership between two countries is dynamically evolving in the area of defense. The bilateral meetings between the defense ministers of the two countries were held. In 2013, the US and Georgia conducted several joint military exercises. In August of 2013 for the first time in five years, American and Georgian Defense Chiefs held a meeting at the Pentagon. At the same time, in 2013 the U.S. administration also experienced serious staff changes; therefore the visits play an important role in establishing and deepening interagency contact.

Relations with the Russian Federation

The initiation of the dialogue with Russia constitutes one of the main challenges of the newly appointed government in Georgia. By the end of 2012, a special representative of the Georgian Prime Minister on Russian-Georgian relations was appointed. Russia responded readily to the initiative of Georgia to commence bilateral dialogue. Since 2012, the special representatives of Georgia and Russia have conducted 3 meetings which resulted in the resumption of direct flights between the two countries and some other achievements in the field of transportation. Georgian mineral waters, wines and agriculture products have returned to the Russian market. Negotiations on liberalization of the visa regime for Georgian citizens are underway.

Georgia agreed to participate in the Winter Olympics in Sochi and also to cooperate in the field of the security of the Olympics. The rhetoric of the Georgian government toward Russia has softened; Russia was given the possibility to increase its cultural, educational and informational presence in Georgia.

The dialogue between the two countries is confined to the humanitarian area, with the most vital issues for Georgia left unaddressed and complicated.

By the end of 2012, Russia adopted a new foreign policy strategy; Article 51 of the document states that Russia will continue its support to Abkhazia and South Ossetia, as independent states. Such an article appeared after Moscow declared its readiness to initiate a dialogue and normalize the relations with Georgia. Accordingly, this cannot be regarded a supporting factor to the normalization of the relations between the two countries. Moreover, in 2013, the President of Russia and other high ranking officials visited the occupied territories of Georgia, and the leaders of Abkhazia and South Ossetia paid a visit to the Russian Federation.

Russia increased the military infrastructure in Abkhazia and South Ossetia; at the moment, the military bases include both defensive and offensive weaponry. In 2013 Russian occupational forces renewed the installation of the barbed wire fences across South Ossetia's administrative boundary line which resulted in moving the administrative line deeper into the Georgian-controlled areas. The government of Russia has not shifted the blame on the de facto government of Tskinvali, but admitted that such actions were conducted under its direct instructions.

Serious problems were created in the process of the Geneva peace talks over Georgia's territorial conflicts. The representatives of Russia and the de facto governments have wrecked several rounds of the negotiations. The Russian government still refuses to fulfill the obligations under August 12, 2008 cease-fire agreement and to sign the agreement on non-use of force.

Special attention and a cautious approach should be devoted to the issue of reopening the Georgia-Russia railway via breakaway Abkhazia. The Russian Federation has not yet officially addressed this issue despite its vested interest in the operation of the railway that would set in motion the route toward Armenia (and from Armenia to Iran). Russia tries to frame this issue as topic of negotiations between the Georgian-Armenian and Abkhazian de facto governments.

Regional Cooperation, Relations with Georgia's Neighbors

In 2013, the Georgian Prime Minister paid official visits to Azerbaijan, Armenia and Turkey. The first direct contacts between the newly appointed prime minister and the leaders of the Georgia's neighboring countries play an important role in securing

the region's stability. In spite of the mountainous Karabagh conflict and strained Turkey-Armenia relations Georgia makes efforts to contribute to the stability and cooperation in the region.

On March 28, 2013, within the framework of the "Trabzon Declaration", the trilateral meeting of the Ministers of Foreign Affairs of Georgia, Azerbaijan and Turkey was held, during which an action plan of inter-ministerial cooperation for 2013-2015 was elaborated. The document envisages implementing specific projects in the fields of economy, energy, environmental protection, culture, education, sports and youth. Georgia also called for enhanced cooperation for the three countries in the defense area.

Georgia's relations with Azerbaijan, Armenia and Turkey also embrace interagency cooperation. However, some of the challenges such as the border boundary delimitation- demarcation (in relation to Azerbaijan and Armenia) and the direct contacts (of Turkey) with the Abkhazian de facto government remain.

Georgia aims at strengthening the contacts which enhance the cooperation in the Black Sea region. The broadened relations in different areas of cooperation with the Baltic, Scandinavian and Eastern and Central European states play an important role with regard to the foreign policy of the country. Several important official meetings were conducted in that direction.

Significant progress is noted in the relations with the countries of Central Asia. It was the first time in the history of Georgia that the ambassador of the Republic of Kazakhstan to Georgia was appointed. The intergovernmental meeting between the two countries which aimed at enhancing the economic partnership was held and several official visits were conducted. There is room for deepening the cooperation with other countries of that region as well.

The policy of Non-Recognition

The policy of non recognition of Georgia's occupied territories constitutes the cornerstone of the country's foreign policy.

In 2013, Georgia established diplomatic relations with the Republic of Vanuatu. According to the statement signed by the two countries, Vanuatu supports the sovereignty and territorial integrity of Georgia within its internationally recognized borders, including the breakaway regions of Abkhazia and South Ossetia. Such an act constitutes a precedent when a country withdrew recognition of the occupied territories of Georgia.

In November, 2012, Georgia suppressed Abkhazia and South Ossetia's membership with observant status in the International Civil Defense Organization. Moreover, with the assistance of the Qatar government, the representatives of the Abkhazian de facto government were not given the possibility to participate in the 8th World Chambers Congress in Doha.

However, some of the negative aspects should also be addressed. In August, 2013 in Gagra, a city of in occupied Abkhazia, signed a twining agreement with Sarok, Italy. In June, 2013, during Cherkess Days at the European Parliament, the floor was given to the representatives from Abkhazia, as if they were members of the independent delegation. Moreover, the conference under the title "Abkhazia and Europe the road to Mutual Understanding and Approachment" was conducted. Even though the Georgian media spread information, the attempts to avoid such conferences proved unsuccessful.

Georgia and International Organizations

Each year since 2008, the General Assembly of the United Nations adopts an annual resolution on the status of refugees and internally displaced persons from Abkhazia and the Tskhinvali region. This year, during the general assembly's 67th session, the resolution was once again adopted and the number of countries supporting this resolution increased to 62.

Georgia devotes much attention to the role of the Organization for Security and Cooperation in Europe in conflict management. The Georgian government aims at reinstating the OSCE mission in Georgia which had been a valuable contributor to conflict resolution efforts.

The cooperation within the Council of Europe is crucial for Georgia. It is important that the act of Russian aggression remains high on the ministerial agenda of the Council of Europe and is reflected in the consolidated report of the Secretary General. This year, unfortunately, this theme went rather overlooked.

In 2013, Georgia with the Council of Europe, developed a three year action plan which includes plans to implement projects in 2013-2015. These projects aim at assisting the country in the area of human rights, democracy and rule of law.

From January 1, 2013 Georgia holds the chairmanship of the GUAM Organization for Democracy and Economic Development. Under this framework, a number of high-ranking official events were held. It is planned to organize two ministerial meetings. Georgia's government can fully employ the possibilities the GUAM chairmanship offers and arrange the summit for the heads of the governments of the organization. This would undoubtedly promote and deepen the regional cooperation and improve Georgia's standing in the international community.

Recommendations

The maintenance of the dynamics in bilateral and multilateral relations is vital for the effective foreign policy of Georgia. In the modern world, the small states are required to act in a flexible and coherent manner to ensure that their most pressing problems remain high on the agenda of the large countries and international organizations.

On the path of European and Euro-Atlantic integration, much effort should be made to ensure the maximization of the opportunities that arise from the Eastern Partnership Vilnius Summit and the 2014 NATO summit.

The efficiency of Georgia's foreign policy is significantly dependent on domestic politics, national reforms and the fulfillment of Georgia's international commitments. Our international partners illustrate Georgia's ongoing interest in Georgia's aspiration toward European integration. Therefore, the degree of communication and intensity of the dialogue is to be further enhanced.

Efficient foreign policy comprises not solely the operation of the foreign affairs ministry, but the intensive interagency cooperation between local and international institutions within the uniform strategy framework.

The full exploration of the cooperation opportunities is needed in relations with Georgia's strategic partners, particularly with the United States.

The policy of non-recognition of the South Ossetia and Abkhazia regions of Georgia has to be further promoted along with the issue of de-occupation and peace initiatives. The critically important aspect is to appropriately employ the international tribune along with the unity of the political parties in the face of the strategic objectives.

Expectedly, Georgia's Western orientation continues to be under the constant pressure of the Russian Federation. This can result in the imposition of economic sanctions, tensions in the occupied territories, provocations near the administrative boundary lines, pressure placed on Georgia's neighboring and partner countries and other destructive acts. Therefore, Georgia should be prepared to not solely react, but to prevent such acts in cooperation with the country's international partners.

Paata Gachechiladze

The State and the Church

Issues linked to state-religious relations and the realization of freedom of religion and belief, have attracted public attention throughout the whole year. This is obvious because this period has witnessed developments that were full of emotions and those that have exerted vast influence on the public.

By glancing through these developments we could identify on one hand, undoubtedly positive trends, while on the other hand, we must admit that if we fail to take the relevant preventive measures against rather dangerous excesses, we may face the threat of inter-religious confrontation.

Among the positive trends we should list the processes that had/have to do with the solution to the cultural heritage problems affecting various religious groups.

Prior to 2013, the traditional and oldest religious group in Georgia (the Judaic community), possessed its cultic buildings only in the form of usufruct. It used to pay a minimum, but still the rent for the use of the synagogue, and these buildings were registered on the balance of the National Agency of State Property of the Ministry of Economy and Sustainable Development of Georgia. The process of transferring the synagogues to their historic inheritors was launched in February of 2013. As of today, this process is over with respect to the Tbilisi-located "small" synagogue and the Kutaisi and Oni synagogues. As for the large synagogue in Tbilisi and other synagogues in the regions (Gori, Akhaltsikhe and Batumi), documentation is being prepared for transferring them to the respective Jewish community.[3]

3 Representatives of the Jewish community, the Ministry of Economy and Sustainable Development, the State Minister of Georgia for the Diaspora Affairs and the Union "21st Century" have participated in the working meetings. At the meeting with the state agencies and leaders of the Jewish community in the patriarchate, his Holiness and Beatific Ilia II, the Catholicos Patriarch of All Georgia has welcomed this process and expressed readiness to contribute to the solution of problems that the Jewish community is encountering.

The second positive trend relates to the status of monuments, the transfer of title to which is requested by the Armenian Apostolic Church. This request concerns five churches located in Tbilisi and one in Akhaltsikhe. Currently these monuments are under state oversight.

For its part, the Georgian side is requesting the return of the monument, where today the Armenian Church performs religious rites and/or where the conservation-restoration work is underway without an agreement with the Georgian side.[4]

Over years, the state of these Tbilisi-based monuments was alarming. In 2009, a heavy rain demolished the dome of the Mughnu (Mughni) Surb Gevorq church. Because the abandoned library was not vacated, a fire started in the Surb Nshani church twice, damaging the monument considerably. In May 2012, the church porch was also demolished.

As such, in December 2012, the patriarchate of Georgia addressed the Ministry of Culture and Monument Protection of Georgia requesting to set-up a mixed working group prior to resolving the ownership of the monument and to immediately start conservation-restoration work on the above-listed monuments under the monitoring of this group.

The initiative was followed-up during the visit of the Georgian governmental delegation to Armenia, where a bilateral agreement on cultural cooperation was signed. Prime Minister Bidzina Ivanishvili has expressed eagerness for his Cartu Foundation to fund the restoration and rehabilitation of the five monuments located in Georgia and five in Armenia.

4 The Armenian Church requests the transfer of the Tbilisi-located churches "Erevanots Surb Mina", "Surb Nshani", "Mughnu (Mughni) Surb Gevorq", "Shamkhorenots Surb Astvatsatsin (Karmir Avetaran)", "Norasheni", and "Sub Gevorq" church in Akhaltsikhe. The Georgian Orthodox Church requests the return of the Akhtala, Kobairi, Hujabi, Hnevanki, Kirantsi (Getasheni), Aqori, Tezharuiki, Oskipari and Shahnaziri churches and monastery complexes.

As a result, a commission was set up consisting of representatives of the Ministry of Culture, the eparchy of the Armenian Apostolic Church in Georgia, the Georgian Orthodox Church and the NGO sector. Representatives of the Ministry of Culture of Armenia will be able to become familiar with the commission's work. At this time, the project-design work has been completed on all the monuments.

This initiative had a positive impact on the overall process of working on the problem. The Minister of Culture of Armenia and experts became familiar with the commission's work and visited the monuments. Georgian experts were also able to get involved in the processes that are developing with respect to the Georgian monuments located in Armenia. A verbal agreement was reached to launch a regional project that aims to research and reveal the necessary information to solve the ownership issue over these monuments and to raise public awareness with the participation of the state agencies, the NGO sector, and the media.

Negotiations continue between the Evangelist-Lutheran Church and the Manglisi and Tsalka eparchies of the Georgian Orthodox Church. A monastery built by the Germans in the 19th Century, in the village of Asureti located in the Tetritskaro Municipality, is also the subject of negotiations. The parties negotiate so that this building, after being transferred to the Evangelist-Lutheran Church, is partly used by both sides, while an educational-cultural entity is located in its remaining part under joint governance. The first draft agreement already exists. Following the completion of this process, this will be the first example of such cooperation between the two religious denominations in Georgia.

The work of the Inter-Religious Group is still a significant positive development. This group was set up in 2010 and it unites 12 key religious denominations operating in Georgia, including: the Georgian Orthodox Church, the Jewish Community, the Muslim Stewardship of Georgia, the Muslim Stewardship of Transcaucasia, the Armenian Saint Apostolic Church, the Roman Catholic Church, the Evangelist-Baptist Church, the Pentecostal Church, the 7th Day

Adventist Church, the Yezidi Community, and the Salvation Army, the Evangelist-Lutheran Church. Representatives of the country's legislative and executive authorities are also participating in this initiative. This is the first precedent of a full inter-religious dialogue in Georgia.

The urgent issues of the state-religious relations and the issues of common interest, as well as the events that can be carried out through joint efforts are discussed at the working meetings.

Worth mentioning from the group's recent activities was the joint statement the group released in connection with the planned rally against homophobia; as well as the list of events that representatives of religious denominations have developed in the aftermath of the May 17 events. A project is being implemented currently that provides a floor for discussions on the conflict of freedom of religion and belief and the problem of hate speech with the participation of the group and media representatives.

A legislative proposal developed by the group, which is ready for submission to the Parliament, deserves credit as well. It concerns the need to improve the legislative regulation of the legal definitions of notions of religious activities and religious organizations in Georgia, and the need to bring them into compliance with the recommendations of the Venice Commission and the OSCE.[5]

Parallel to these positive trends, other one-year developments are not only risky with regard to human rights and freedoms, but for peace among civil society and stability as a whole. We are referring to the dramatic events unfolding in several villages, where local Muslim and Christian Georgian residents have confronted each other over buildings where Muslims gather to pray.

5 Under the effective legislation, a notion of religious activity and considering a religious organization as a legal entity is not duly regulated. In particular, pursuant to Articles 11 and 33 of the Tax Code of Georgia, only the activities and organization (union) of duly registered religious organizations (unions) are considered as a religious activity and religious union. This contradicts as the Civil Code (which recognizes non-registered unions), as well as the 2004 recommendations of OSCE on legislative regulation of religion and belief.

The first such incident occurred in western Georgia, in the village of Nigvziani of the Lanchkhuti Municipality on October 26 and November 2, 2012. Some among the local Christian population have demanded that the building, in which the local Muslim population used to gather, is not used host mass gatherings of pilgrims arriving from other districts. They claim this was done purposely to irritate Orthodox Christians and to justify the purchase of a prayer house, because there are not many Muslims in the village. Later, some within the population demanded that the Muslims hold their traditional Friday prayers in their own houses. They also threatened the Muslim parish with obstruction of their traditional Friday prayers.

The situation in the village was diffused in a week on November 9, when a meeting between the Catholicos-Patriarch, local residents and clerics of the Muslim and Orthodox Churches was held at the Patriarchate of Georgia.

Similar incidents occurred in November-December 2012 in eastern Georgia, in the village of Tsintskaro located in the Tetritskaro Municipality. Confrontation between the Muslim and Christian parts of population began after the crosses fixed on the fence of the local cemetery were cut down. The Christian population was outraged with this fact and some blamed this on the Muslims or their accomplices. The situation was aggravated further by the fact that prior to the investigation of the criminal case launched over the removal of the crosses, local Muslims have decided not to use the former residential house purchased for worshipping and to pray at their homes instead. Yet, the Muslims arriving to the village from other districts and representatives of several NGOs were demanding to hold the traditional Friday prayer. According to the local population, these very people incited the confrontation. With tensions and verbal threats, and with efforts of the police, the Friday prayers, served mainly by the pilgrims arriving from other districts, went on as planned.

The situation was calmed on December 10 after two days earlier, the Catholicos-Patriarch hosted both the Muslim and Christian population of the village, as well as the clerics in the Patriarchate

of Georgia. A two-hour meeting was organized in the village later, led by the local leader of the Georgian Dream coalition Zakaria Kutsnashvili, following which it was publicly announced in front of the local Muslim and Christian residents that the incident was over.

A third similar event occurred in the extreme east of Georgia, in the village Samtatskaro in the Kakheti Region. On May 24, some local residents including Muslims confronted the local cleric Khozrevanidze and his family. On May 31 at the entrance of the village, locals confronted representatives of the Muslim Stewardship who had arrived in the village to pray.

According to local residents, the confrontation was triggered by the fact that they were asked by deceit to sign a petition that did not foresee the opening of the mosque in the village (in fact, a mosque was opened up in one of the purchased houses). The population demanded an explanation from Khozrevanidze, the initiator of the plan, following which tensions have intensified. According to the locals, this person is not a cleric, he is a driver and only he and his family are eager to have a mosque in the village. To support this assertion, they claim that only 5-6 persons arriving from other districts are attending the traditional Friday prayers. When only one family is interested in having a mosque in the village, locals were inquiring into how could they live such a good life and purchase a whole house, and whether this was linked to certain mercantilist interests. In this case as well, pretensions were directed against the "visitors". 450 village residents have addressed the Muslim Stewardship in writing, requesting an explanation as to why had they been misled.

Owing to these events the authorities were slated by society, the NGO sector and Human Rights organizations. The public defender has also made several statements on these developments. According to various Human Rights organizations, the authorities failed to take the adequate measures necessary to avoid the confrontation, and instead of carrying out its obligations in the field of freedom of religion, it only played the role of mediator and peacemaker. They claimed that members of the ruling party have made several improper statements, thus in fact fostering violence indirectly. They allege that the authorities should have acted much

more efficiently and applied criminal sanctions or administrative penalties prescribed by Georgian legislation.[6] Human Rights organizations have urged the authorities to investigate these developments objectively and punish the offenders. It is known as of today that one person was detained in connection with the Samtatskaro events, while the official information or results of the investigation on other incidents is still unknown.

Parallel to this criticism, an opinion was expressed that these developments were in line with the interests of representatives of the former authorities, because the media or NGO organizations supporting them were especially active throughout these processes.

The Patriarchate of Georgia was active in reacting to the Samtatskaro events as well. The Catholicos-Patriarch Ilia II, has expressed the support and assistance to the village residents during meeting with them. High-ranking clerics were sent to get familiar with the situation on the spot.

Remarkably, this period has once again exposed the tremendous role of the Georgian Orthodox Church and its leader the Catholicos-Patriarch Ilia II, both of which are the most trustworthy and authoritative institute in Georgia according to all sociological polls. Apart from playing the role of mediator in the above-described events, the leader of the Georgian Church has taken the burden of personally contributing to the improvement of the grave situation between Russia and Georgia. When the Russian Church recognizes Abkhazia and the Tskhinvali region within the canonic domain of the Georgian Church, the floor for a dialogue between the Churches is wider than between the official structures.

6 A general part of the Criminal Code of Georgia considers all types of crimes committed on religious motives as an aggravating circumstance (Article 53). Further, among the offenses are the violation of equality of rights of humans (Article 142), illegal prevention by violence or threat of violence against worshipping or performance of other religious rites or habits (Article 155), illegal prevention of establishment or activities of a political, public or religious union (Article 166), while Article 258 provides punishment for defiling a corpse or a grave, as well as for demolishing or damaging a grave statue or its other above-ground construction.

Over the last year, the patriarch has visited Russia twice. These visits were carried out at the invitation of the Russian Patriarch Kirill and the discussed issues concerned the relations between the two Churches. Nevertheless, these visits carried a political flavor as well and they must be viewed as part of the general process that the new authorities have designed with respect to Russia. Namely, this is an attempt at restoring as much as possible, the economic, transport, cultural, scientific, and humanitarian contacts between the parties, as well as an effort to warm relations between the two neighbors, of course by requesting unconditional observance of territorial integrity and sovereignty.

The Patriarch of Georgia met with Russian President Vladimir Putin. Discussed at this meeting were the problems of Abkhazia and the Tskhinvali Region, the return of IDPs and other issues. The patriarch defined the formula of the current situation that should be acceptable to the parties:

“Russia needs a united Georgia, and Georgia needs a united [and] strong Russia”, Ilia II stated during his visit to Russia on January 21.

Dramatic events also unfolded in August in the southwestern region of Georgia, in the village of Chela in the Adigeni Municipality. Local Muslims have bought with their money the materials for assembling a minaret (according to another source, the Artaani Muftidom of the Turkish Republic has presented the minaret to the Muslims of the village), which was installed at the mosque located in the village. On August 26, the Revenue Service of the Ministry of Finance dismantled it, followed by confrontation between local Muslims and law-enforcement representatives, resulting in the arrest of 19 people for resisting police. Out of these, 6 people were fined and criminal cases were launched against 3 citizens.

On the next day, the Christian parish organized a protest meeting in Akhaltsikhe, supporting the dismantling of the minaret. The tense situation was discharged after an agreement was reached after a meeting of the Muslim and Christian clerics in the Patriarchate.

Mixed reactions have followed from representatives of the public, political opposition and the authorities. Yet, many agree that more cautiousness is required with respect to religion and that the authorities should have acted more thoughtfully.

The opposition and a number of human rights organizations have accused the authorities of ignoring the religious rights and feelings of the Muslims and inciting religious hatred. According to them, the Ministry of Finance was not authorized to dismantle the minaret. Hence, they believe the law-enforcement authorities used excessive power in this case.

In its response statement, the Ministry of Finance has alleged it was acting under the July 26, 2012 Order N290 of the Minister of Finance, while the Chair of the local Municipality Sakrebulo has established that the construction of the minaret was illegal, because the Muslims ignored the respective legal procedures. In particular, they did not inform the municipality, owing to which on August 15 the Sakrebulo adopted the relevant decision on the illegal construction.

Other dramatic events took place in Tbilisi on May 17, when two NGOs Identoba "identity" and the Women's Initiatives Supporting Group planned a rally to celebrate the International Day Against Homophobia and Transphobia. Parallel to this event, tens of thousands organized a counter-rally, as a result of which, the counter-rally participants broke through the police cordon. Several incidents of violence or threats of violence took place, with the involvement of several Orthodox religious representatives. As of today, criminal cases have been launched against several counter-rally participants, including two religious figures.

The events unfolding over one year demonstrate once again that certain actions have to be enhanced, be it the dialogue between religions, broader educational efforts or legislative regulation of various aspects of religious freedom, as the inter-religious mutual respect is a prerequisite for a stable and peaceful society in Georgia.

Tamar Chikovani

Georgia – Look From Outside

After 1st October, 2012 Parliamentary elections, Georgia has been in spotlight of the foreign politicians and media. A new political figure in office and the difficulties associated with cohabitation process raised multiple questions. Some of them included whether Georgia was going to shift its foreign policy orientation or imprison the representatives of the old government. The following digest uniting foreign politicians' statements and media publications illustrates how Georgia was depicted from abroad in the past year:

2012

"We urge the authorities to conduct the final count and appeals transparently and in accordance with the rule of law".

U.S. Secretary of State Hillary Clinton, October 2

"The EU congratulates the Georgian Dream coalition on its election victory. The Georgian people have now spoken. Both responsible government and constructive opposition are essential parts of a functioning democratic society".

EU foreign policy chief Catherine Ashton and Stefan Füle, EU Commissioner for Enlargement and European Neighborhood, October 22

"*The big political question is whether Saakashvili and Ivanishvili can co-operate, in the wake of an election campaign characterised by mutual vitriol. The early signs of co-operation were not encouraging. Ivanishvili called Saakashvili's widely praised reforms a joke, and said his rule was "based on lies". Government sources dismiss Ivanishvili as a Russian stooge.*

Guardian, October 3

"It is a momentous day for Georgian democracy -- but a painful one for the man who has led the former Soviet republic for nearly a decade".

CNN, October 3

"Mr. Ivanishvili does not appear to be a Kremlin stooge. But neither does he seem to have internalized Western democratic values, such as tolerance of critical media and compromise with opponents".

The Washington Post, October 4

"Elections are not over; much more than the election is necessary to further consolidate Georgia's democracy trajectory, but this election and transition that is underway are very hopeful developments."

Thomas O. Melia, the U.S. Deputy Assistant Secretary of State in the Bureau of Democracy, Human Rights and Labor, October 9.

"In the wake of the opposition victory in Georgia's parliamentary election (Civil Georgia, October 2), the jubilation or sorrow that was felt initially among Georgians and Western pundits

alike, depending on whether they supported President Mikheil Saakashvisli or challenger Bidzina Ivanishvili, will be short-lived. Both sides now face much more serious challenges ahead, which will have huge implications for Georgia's future".

The Jamestown Foundation, October 15

"The Saakashvili government had never looked quite so good at home as it did abroad. In 2005, after the minister of justice and minister of health flopped in TV debates, government officials stopped explaining their decisions to the public".

The weekly Standart, October 17

"Parliamentary election has been a litmus test for Georgia's democracy and "a very important part of this test has been passed".

James Appathurai, NATO Secretary General's Special Representative for the Caucasus and Central Asia, October 18.

"Cohabitation can be hard, but the way in which President Saakashvili and incoming PM Bidzina Ivanishvili work together will provide further proof of how far Georgia has travelled along the path to democratic maturity."

Stefan Füle, EU Commissioner for Enlargement and European Neighborhood, October 18

"The amateurish impression Ivanishvili gives would not matter greatly (heaven knows that consistency was not one of Saakashvili's strong points either), but for the Damocles' sword of the presidential election due in October 2013. That means the new

government (which the parliament is to confirm on October 25) has just one year in which to demonstrate to the electorate that it can run the country better and deliver a better standard of living for the population than Saakashvili's team".

RFERL, October 24

"The election was a historic milestone for your country and demonstrated to the world that Georgia has become a vibrant democracy," the letter reads. "Your government now inherits the task of moving forward to solidify and advance Georgia's democratic and economic reforms. This will require the government, parliament, and presidency to move past the contentious election and transition period and work together constructively to pursue policies that are in the best interest of all Georgian citizens. I understand from Ambassador Norland that this is your preferred approach, and in this you have our continued support."

U.S. President Barack Obama, October 25

"Adding to fears of instability is Ivanishvili's recent announcement that he plans to leave politics in just 18 months. On the surface it is a positive sign, a well-meaning gesture that underscores his pledge not to become a despot. Setting an artificial limit on his term in office, however, potentially undercuts his power and encourages infighting among rivals over the next twelve months as Georgia prepares for presidential elections in 2013".

Foreign Policy, October 27

"Ivanishvili's victory was a paradox. Together with Saakashvili's gracious concession of defeat for his party – though he remains head of state until presidential elections next year – it seemed an

affirmation of Georgia's new democratic foundations. But it was a slap in the face, too, for Saakashvili's reformers, and in some ways their western backers".

FT, October 26

"The brutal treatment of prisoners has become a symbol for the perceived failures of Georgia's previous leaders: they started out nine years ago as idealistic pro-Western reformers, intent on clamping down on post-Soviet organised crime. Many have ended up accused of all kinds of abuses of power".

"But the more alarmist comments in the Western media have been seen in Tbilisi as simplistic and one-sided: the result of a good-guys-versus-bad-guys Hollywood narrative of Georgian politics, say some, which portrays Mikheil Saakashvili's team as pro-Western freedom fighters struggling to break free of Moscow's influence".

BBC, November 5

"Democracy is about the rule of majority, but also about respect of minorities. Democracy is more than elections, it's the culture of political relations in a democratic environment…In this respect, situations of selective justice should be avoided as they could harm the country's image abroad and weaken the rule of law."

President of the European Commission, José Manuel Barroso, November 12

"No reason to hide that I'm extremely concerned about the development we have seen since then [the elections and transfer of government], not least related to recent arrests of political opponents in Georgia."

"Well, I am not going to interfere with judicial system in Georgia.

It's for the legal system, the judicial system in Georgia to sort out these cases. But of course it's important that such trials are not undermined by political interference."

NATO Secretary General, Anders Fogh Rasmussen, November 12

"Akhalaia's arrest, as well as the arrest of a top-ranking general and plans to open criminal investigations into several Saakashvili-era scandals, indicates the five-week truce between Prime Minister Bidzina Ivanishvili's coalition and the outgoing government is finally over".

BNE, November 12

"In his home country, Ivanishvili is often seen as a messiah who defeated President Mikheil Saakashvili's powerful political machinery and arrested an ex-minister (Bacho Akhalaia) reputed to have abusive ways".

Eurasianet, November 14

"The central political challenge facing the GD and Georgia is to break the pattern of the post-independence era, in which Georgian politics revolves around a single party. Georgia's political culture still needs to change dramatically, so that there is room for substantive debate within an agreed upon structure. In other words there needs to be a legal and accepted role for the disagreement and conflict that is central to real democracy".

Eurasianet, November 17

"Ivanishvili was a quiet tycoon, not really deserving of the term "oligarch" because of his low public profile. Almost all of the suspicion around him is circumstantial and there are no obvious links to Putin or the Kremlin. We have much more juicy material from the biographies other Russia-based billionaires of that period, such as Roman Abramovich, Boris Berezovsky, Vladimir Gusinsky, Mikhail Khodorkovsky— or indeed the Georgian Kakha Bendukidze who served as economics minister under Saakashvili".

The National Interest, November 19

"Our cooperation is wide-ranging and we have much to discuss, including the rapid progress being made towards an Association Agreement and a Deep and Comprehensive Free Trade Area. I will reiterate my congratulations to the Georgian people on the positive democratic conduct of the recent parliamentary election, as well as the importance we attach to the new Government and the President of Georgia working constructively together. Georgia can count on the EU's support for its efforts in this regard. I also want to place particular emphasis on the impartial application of justice and the rule of law, values which Georgia and the European Union share."

EU foreign policy chief, Catherine Ashton, November 26

"Ivanishvili professes to be open to advice from the West on the rule of law, but he and some of his supporters also seem bent on retribution. A contributing factor may be anger with the West, which strongly supported Saakashvili because of his pro-Western stance, for insufficiently challenging his violations of democratic practice".

The New York Times, November 26

"We are very much supportive of the peaceful transition to power that occurred as a result of this election by the new government, and we do hope that everything that is done with respect to prosecuting any potential wrongdoers is done transparently in accord with due process and the rule of law as is befitting of the Georgia dream and the aspirations and sensitivities of the Georgian people."

Secretary of State, Hillary Clinton, November 30

"Outsiders who were charmed by Mr Saakashvili and turned a blind eye to his faults should accept that it is the job of a democratically elected Georgian government to prosecute wrongdoers—even those who have been loyal to the West. Suspects who might flee abroad need to be arrested. If they are found guilty in a fair trial, they must go to jail. To argue otherwise betrays the very values that the West has promoted in Georgia".

The Economist, December 1

"In Tbilisi, it is rare to find citizens who do not support the idea of prosecuting departing officials".

The New York Times, December 1

"The elections in Georgia lived up to democratic standards and Georgia that way passed a very important test. Now we look forward to a smooth cohabitation between the new government and the current President; we look forward to presidential elections next year… conducted in the same democratic way as the parliamentary elections this year… "The [NATO-Georgia] Commission meeting tomorrow will be the first opportunity for the NATO allies to discuss Georgia's NATO aspirations with the new government. I

am very pleased that the new government has reaffirmed its NATO aspirations, so there seems to be a broad consensus in Georgia that Georgia will continue to pursue future membership of our Alliance and in exchange we have reiterated that the decision we took in Bucharest in 2008, that Georgia will become a member of NATO provided of course that Georgia fulfills the necessary criteria, still stands."

NATO Secretary General Anders Fogh Rasmussen, December 4

The new Georgian government's arrests of oppositionists have critics crying foul. But they should let justice run its course. More broadly, the unfortunate reality is that the previous government has not lived up to much of its lofty pro-democracy rhetoric. While the UNM's enthusiasm for the West and relative success in modernizing Georgia may have made an indelible impression on their counterparts in Washington and Brussels, the UNM's decidedly pro-Western brand-building should not be confused with actual democratization, as extensive reports of an anti-democratic pre-election environment attest. And for all of the UNM's keenness for international indices and rankings, most democracy measures paint a very different picture than the one usually broadcast by the UNM and its allies.

Foreign Policy, December 6

"We are concerned that the reality or even the perception of political retribution against opposition figures will polarize Georgian society and risk derailing its democratic progress. It will be profoundly harmful if political figures in Georgia come to believe that those who lose an election or peacefully concede power might soon find themselves behind bars."

Jeanne Shaheen, Democrat representing New Hampshire;
Joe Lieberman, an Independent from Connecticut;

John McCain, a Republican from Arizona;
James Risch, a Republican from Idaho and Lindsey Graham,
a Republican from South Carolina; December 7

"An unexpected beneficiary of this moment of democratic turbulence is the United States, which has been accepted as a mediator by both Ivanishvili's and Saakashvili's camps and thus continues to possess considerable leverage in Georgia. To its credit, the Obama administration has managed the situation skillfully.

Imagining that Georgia could ever become an America in the Caucasus was obviously a mistake. But it does have a chance to be a modern state, with a government that reflects the will of the people, cleaving to its traditions but restrained from nationalist instincts by foreign advice. If that comes to pass, Georgia can still be a good model for the other post-Soviet states. For this to happen, Saakashvili and Ivanishvili will need to accept that they are not messiahs; they have played a transitional role in facilitating politics from below in Georgia. The best legacy they could leave would be a demonstration to future Georgian politicians of how to get out of the way".

Foreign Affairs, December 8

"The furor around these arrests, both in support of and in opposition to them, reflects that the rule of law is probably the most critical problem for present-day Georgia. In fact failings of the rule of law could be called the "dark side" of the 2003 Rose Revolution, which unfortunately—and despite the efforts of nongovernmental organizations such as the Georgian Young Lawyers' Association and Human Rights Watch—received less attention than the government's anticorruption and economic reforms".

Carnegie Endowment, December 9

"So far, foreign policy signals from Tbilisi have been mostly positive. Not only has Tbilisi maintained Georgia's already robust manpower contributions to NATO's International Security and Assistance Force in Afghanistan, but the new government has followed through on plans to doubleits deployment to over 1,500 troops alongside US Marines in the restive Helmand province".

Global Post, December 10

*"The political challenge for the Ivanishvili government is to somehow bring implicated former officials to justice without being seen as vindictive***".**

Eurasianet, December 12

"Moving political combat to the international arena is a common tactic among opposition movements when they are losing. But usually it is done by activists appealing to human rights organizations over a repressive government. Here instead, it is a repressive movement appealing to international opinion against political protesters who won an election fairly -- and whose goals were to right Saakashvili's injustices. And the international community is playing directly into Saakashvili's hands".

Atlantic, December 19

"For many politicians, the current "cohabitation" of the UNM and the governing Georgian Dream coalition has turned into a battle for total control, rather than a struggle to establish some sort of governing consensus".

Eurasianet, December 29

2013

"And while the risk of conflict in Georgia is diminished, the country could be going through some geopolitical tumult, as Prime Minister Bidzina Ivanishvili's hope of maintaining good relations with the U.S. and NATO while improving ties with Russia is likely to be tested this year (most likely by the Kremlin). That could provide some fireworks".

Eurasianet, January 1

"Mr. Saakashvili also called Mr. Ivanishvili's recent comment that Armenia could serve as example to Georgia on how to maintain relations with both NATO and Russia "alarming", claiming that Mr Ivanishvili wants to give up on Georgia's NATO aspirations".

The Economist, January 24

"It is true that Saakashvili and his government respected the forms of democracy to a degree unusual in the former Soviet Union, and that this respect gradually went up over time. Yet the president and his camp also engaged in endless maneuvering designed to isolate, marginalize, and penetrate any sort of political opposition… Georgia is lucky to be getting a fourth chance at democracy, after the opportunities under Zviad Gamsakhurdia (1990–92), Eduard Shevardnadze (1992–2003), and Saakashvili faded. But this chance remains a fragile one".

Journal of Democracy, January 28

"The message that Saakashvili and the ENM consistently seek to convey is that the KO, and Ivanishvili personally, is pro-Russian, and for that reason not interested in membership of either NATO or the European Union; and that the new government's domestic policies will undo everything the ENM achieved during its nine years in power in terms of democratization and strengthening the rule of law".

RFERL, February 7

"Does Bidzina Ivanishvili have an international public relations problem? High poll ratings and a commanding majority in parliament suggest his position is secure at home in Georgia. Yet the international press tends to portray a billionaire chief executive who does not understand democracy and wants to crush his foes. As political cohabitation between the Georgian Dream and the United National Movement (UNM) is not working, the country's image abroad is suffering".

The Economist, March 5

"If Georgia is to be a partner for the European Union we shall share and fulfill the same basic principles. Failure of the Georgian democracy will only be welcomed by those who oppose the spread of freedom and the rule of law onto the whole of Europe. Clearly, ongoing public pressure on MPs and local legislators, consistent and declared pressure on the judiciary, the Georgian Public Broadcaster, inflammatory rhetoric and use of mobs to quell political opponents as well as frequent use of hate speech towards minorities only makes Georgia drift away not towards its European dream. Thus your ultimatum is to be read clearly".

Members of the European Parliament Gunnar Hökmark, Laima Andrikienė, Zigmantas Balčytis, Elmar Brok, Jerzy

Buzek, Andrzej Grzyb Anna Ibrisagic, Tunne Kelam, Paweł RobertKowal, Eduard Kukan, Vytautas Landsbergis, Krzysztof Lisek, Radvilė Morkūnaitė-Mikulėnienė, Bernd Posselt, José Ignacio Salafranca, Jacek Saryusz-Wolski, Algirdas Saudargas, György Schöpflin, Konrad Szymanski, Indrek Tarand, Alejo Vidal-Quadras, Paweł Zalewski, Joachim Zeller; March 6

"The elections of October 1, 2012 indicated a remarkable performance of the still young Georgian democracy and its citizens. A majority decided to vote the Rose revolutionaries out of office because they were about to leave the democratic path in order to become a rather authoritarian modernization regime. Citizens were afraid that one day the ballot paper may proof to be too weak a weapon against growing control of the society. It has to be recognized that there are not many such cases where revolutionaries had to leave because of democratic elections and where the revolutionary leadership had no choice but to accept the verdict of the majority".

Guenther Baechler, Swiss Ambassador in Georgia, march 15

"The jury is still out on Georgia's democracy. Despite its impressive parliamentary elections last October, in which Bidzina Ivanishvili's Georgian Dream coalition surged into power, it's not altogether clear whether the turbulent Caucasian republic has cleared a major hurdle on the democratic road or is in the process once again of exchanging one strongman for another. Still, there's no denying that by making its first peaceful transfer of power by means of the ballot box, Georgia has shattered a ceiling in its political development. It has also sketched out some lessons for would-be democratizers around the world to study".

The American Interest, March 24

"Such violence and blatant intolerance have no place in a democratic society. We especially regret the participation of members of the clergy in this violence, given the high moral authority the Georgian Orthodox Church enjoys in Georgian society. We expect that the Georgian authorities will prosecute all perpetrators of this unacceptable violence in full compliance with the law."

PACE, May 27

"Obviously we are not going to interfere with legal cases and the judiciary in Georgia. In today's meeting with the Georgian Minister of Defense I made clear, and ministers made clear, that we take it for granted that the Georgian authorities will fully respect the fundamental principles of rule of law and will guarantee due process. We have made clear that even the perception of politically motivated arrests should be avoided and we expect Georgia to live up to those fundamental principles."

NATO Secretary General Anders Fogh Rasmussen, June 5

"Georgia is on the right path", which moved "a lot closer to NATO", but "the burden may still be on you now to continue to deliver the necessary reforms."

NATO Secretary General Anders Fogh Rasmussen, June 27

"The EU fully respects the pledge of the new government to the Georgian people to address any legacies of the past, and we trust that this will be done in full conformity with Georgia's international obligations and European values."

European Commissioner for Enlargement and European Neighbourhood Policy, Stefan Füle, July 13

"EU neighbourhood commissioner Stefan Fuele sent a mixed message at the Batumi event. He said in his keynote speech it is "a myth, which needs to be dispelled" that Georgia has abandoned its pro-EU course. But he added: "This process [the trials of ex-ministers] matters a great deal to us in Europe. European standards and values must be upheld for us to advance together … [Justice] cannot be used for political purposes, let alone revenge."

Euobserver, July 15

"To be perfectly honest, Europe has to admit that its own efforts to facilitate a solution of the conflict between Russia and Georgia over the breakaway territories had only limited success. After the "hot phase" of the conflict, Georgia quickly slid down on the European Union's agenda of priorities. Maintaining good relations with Russia trumped any further pressuring for Georgia's case'.

Carnegie Engowment, August 2

"An eagerly awaited report by Thomas Hammarberg, European Union Special Adviser on Constitutional and Legal Reform and Human Rights in Georgia, says real progess is being made and that Europe should support the reform programme.

Recent steps to reform the country's judicial progress were praised, along with similar efforts on human rights, labour laws and fighting the "elite corruption" and impunity of the past".

New Europe, September 23

"The very public infighting between the two leaders that has dominated headlines for the past year has raised concerns about the country's stability. But the uncertainty of who will fill the void

after both are gone is raising even more questions about the future".

Global Post, September 29

"In Georgia, one could observe the end of one epoch and the beginning of another. The era of Saakashvili's modernization "from the top" and an open pro-Western vector is definitely over. Its greatest legacy was a peaceful transfer of power. But there is no guarantee that this legacy will become a new tradition in Georgia. The current balance of forces and even more importantly, the changes in the Georgian constitution orchestrated by the current ruling team—that give key political resources to the prime minister and the government—create a new power monopoly which could acquire taste for reproducing itself indefinitely".

Carnegie Endowment, October 1

"For the U.S. and Europe, Georgia was an example of successful democratic reforms in the post-Soviet territory. However, many Georgians themselves are not so sure about the democratic nature of Saakashvili's methods as the government has appeared authoritarian and heavy-handed, arresting thousands of people in an effort to fight bribery and create transparency. Meanwhile corruption flourished in the upper echelons.

Georgians were happy to transition from a struggling existence without running water and electricity before the Rose Revolution, towards an improved quality of life and a functioning economy. To less fortunate post-soviet countries – permanently stuck in economic decline, political turmoil and corrupt mentality – Georgia has become some sort of a role model".

Forbes, October 3

"So, in October Georgia might complete the transfer of power away from Saakashvili that started last year. With democratic traditions in embryo and distrust of Russia very much in the foreground, the young republic is still groping for the right path to escape its Soviet legacy. At this crucial time, judicious support from the West, which could manifest itself in a more cooperative stance towards Georgia's Euro-Atlantic aspirations, might tip the scales of Georgia's future decisively".

Chatham House, October 9

"MIKHEIL SAAKASHVILI, Georgia's outgoing president, can be accused of many things, but lack of vision is not one. Ten years ago the then 36-year-old Mr Saakashvili led the rose revolution to become the world's youngest national leader. His country was a traumatized, failing state. Over the next ten years, he led it through a mental revolution, modernizing it, shaking off its Soviet legacy and putting it back on the map. He also fought and lost a war with Russia, cracked down on the opposition, dominated the media, interfered with justice and monopolized power.... Most worrying, Mr Ivanishvili has stirred up some dark forces in Georgian society, including far-right nationalists and semi-criminal groups, who have recently staged ugly anti-gay riots, defending "traditional Orthodox values" against corrupting Western influences. Anti-Armenian and anti-Muslim rhetoric is on the rise. Convicted criminals have been let out of jail to roam the country".

The Economist, October 12

"Officials and political analysts in Tbilisi believe the Kremlin is ready to reach deep into its bag of tricks to try to coerce Georgia into ditching its European Union membership ambitions and embracing Russian President Vladimir Putin's Eurasian Union vision".

Eurasianet, October 16

"Georgia's elections and its sometimes tumultuous results are not for the faint of heart. The country will hold a presidential election on October 27 and this election is historic: for the first time in its history, an incumbent president will be replaced through the ballot box and not street protests.

In direct contrast to the pre-election environment in Georgia one year ago, the country is relatively calm. A constructive opposition and a less polarized media environment have enabled parties to compete more openly this cycle".

Atlantic Council, October 18

"Georgia's new government has confirmed its aspiration to join NATO, but it will not happen next year. We'll cooperate in the frameworks of the Georgia-NATO council".

NATO Secretary General Anders Fogh Rasmussen, October 22