

4th January marked the first anniversary of Mikhail Saakashvili's victory in the presidential election. It had been generally feared that Georgia could slip into instability, and the leadership that emerged from the "rose revolution" could prove unable to efficiently manage the state. Nevertheless, the first year of Saakashvili's presidency should undoubtedly be regarded as a success. Most of the "black scenarios" that had been projected failed to materialise. No civil war broke out even though the situation was extremely tense on several occasions, the ruling team did not disintegrate (in spite of tension), and the country experienced no economic breakdown. The new leaders managed to peacefully solve the problem of Ajaria, obtained substantial amounts of foreign humanitarian, economic and military assistance, initiated several major reforms and firmly curtailed corruption at all levels (even if they frequently resorted to measures not in keeping with western standards). In 2004 Tbilisi markedly reinforced its position on the international stage (USA, NATO, EU), but at the same time its relations with Russia deteriorated. Although the authorities in Tbilisi still face a number of challenges and urgent problems, 2004, the first year of Mikhail Saakashvili's term in office, has undoubtedly been successful for Georgia.

### **Fears and expectations**

The presidential election on 4th January 2004 and the parliamentary election on 28th March 2004 marked two important steps towards normalisation in Georgia. They also constituted a symbolic ending of the transition period that followed the forced resignation of president Eduard Shevardnadze in November 2003 and the rise to power of the "rose revolution" victors: the National Movement of Mikhail Saakashvili and the Democrats of Nino Burdzhaneladze and Zurab Zhvania. The two ballots opened a new chapter in the history of modern Georgia.

In the presidential election Saakashvili received immense support, garnering more than 97 percent of votes with turnouts at 83 percent, and so did the new leadership in the parliamentary election in which they won 150 out of 235 mandates. This stemmed from unrealistic expectations of the people in the pauperised country. The "rose revolution", calls for elimination of corruption, economic reforms, restoration of the country's territorial integrity and strengthening of the Euro-Atlantic vector in foreign policy bred hopes for rapid improvement of living standards, economic revival, resolution of separatists problems and punishment of those to blame for the original condition of Georgia, i.e. the previous leadership and oligarchs affiliated to it. People also hoped that in the longer term, Georgia would join NATO and the European Union, and achieve general welfare. Such expectations were common (especially those relating to welfare) - this is evident in the fact that Saakashvili, accused of nationalism, got the votes of most Azeris and Armenians living in Georgia, and Georgians from the Gal Region (Abkhazia) and Ajaria (at that time still under control of Aslan Abashidze). Observers pointed to the threat of the new leaders failing to live up to such expectations. It was feared that this could lead to splits in the ruling team, spark a war in Ajaria or a conflict with South Ossetia and Abkhazia, ruin any chances of normalisation of the relations with Moscow and finally, potentially corrupt the new leaders making them appropriate the state as they predecessors had done. It was emphasised that the people wanted not reforms (which would require serious sacrifices), but an "economic miracle", and that the popularity of Saakashvili and the new government would erode rapidly.

### **Internal political scene**

In 2004, the Georgian political scene consolidated around the winning team of National Movement of President Saakashvili and the Democrats of the Parliament Speaker Nino Burdzhaneladze and Prime Minister Zurab Zhvania. On 5th February the controversial constitutional amendments were passed, which had nearly caused a break-up of the government coalition (the Democrats wanted to transform the state into a parliamentary republic, while the new President, contrary to his earlier declarations, strove for a strong presidential powers). The two sides reached compromise by creating the office of Prime Minister in charge of the cabinet of ministers (originally this was in fact part of the president's powers). At the same time, however, the president's prerogatives were also extended, e.g. he was authorised to dissolve the Parliament in certain conditions. In the parliamentary election

on 28th March, the ruling team won 153 out of 235 mandates (subsequently, this number further increased), which afforded substantial freedom of decision to the new leadership. Winners of the "rose revolution" did not yield to pressure of opposition parties and international institutions (especially the Council of Europe) and refused to reduce the high 7 percent electoral threshold. As a result, a de facto one-party parliament was elected: in spring the two parties teamed up forming one camp of National Movement-Democrats, which transformed on 22nd November into one party called United National Movement. On 17th February a government was formed that underwent no major changes following the parliamentary election. Composition of the government was the outcome of tiresome consultations within the coalition. It reflected the depth of changes taking place: the new cabinet included none of the ministers who had served before the "rose revolution". Shortly after the elections, systematic replacements of leading officials began in central and field authorities alike. In publicity-oriented actions, compromised members of the previous leadership were held to account. Several tens of widely publicised arrests and property seizures took place (supplying the central budget with several tens of millions of dollars). Arrest warrants for corrupted officials and businesspeople, and blockade orders for their banking accounts, were sent to several European countries. All these measures were highly popular and were widely commented in the media. However, they inspired mixed feelings in the West. The Council of Europe and other international and human rights organisations protested against this campaign and rejected the means while approving of the ends. Cleansing was also carried out in the power departments. For example, at the Interior Ministry some two hundred officials were affected, mostly deputy ministers, heads of regional and local administrations and their deputies (those measures were formally justified by reorganisation and verification of human resources).

On several occasions during 2004, the leadership experienced tension, which usually led to more dismissals and new appointments (the most recent operation of this kind, connected with the cabinet reorganisation, took place on 14th December 2004). Closely watched by the opposition, whose members are mostly outside Parliament, clashes within the ruling team traditionally occurred along party lines. In spite of the unification, rivalry continued between former members of President Saakashvili's team and associates of Burdzhaneladze and Zhvania. So far, the president has been able to mitigate animosities between ministers and fully control the situation. Thus the fears of disintegration of the government team and the country slipping into chaos did not materialise.

## **Foreign policy**

The "rose revolution" did not change the fundamental assumptions of Georgia's foreign policy. These continue to be integration with Euro-Atlantic structures (NATO, EU) and development of equal relations with Russia. The new aspects contributed to Tbilisi's foreign policy by Saakashvili and his people include determination and efficiency, especially in the Western dimension.

The success of the civil and democratic "rose revolution", and the consistently implemented state and economic reforms, have improved Georgia's credibility as perceived by the West, and opened new possibilities for closer co-operation. A great breakthrough came with the inclusion of the entire Southern Caucasus into the EU New Neighbourhood Policy on 14th June 2004 (while it was openly stated that Georgia was the main addressee). This put the region within the sphere of the EU's serious interests and created a political platform for more specific co-operation projects. Georgia joined this project as recipient of the Community's financial and expert assistance towards state reform (it co-operates with the EU Rule of Law mission on the reform of its legal system). Another new element is the EU's cautious but consistent and growing interest in regional security issues (this has involved mediation during the Ajaria crisis and discussions, now underway, on the EU's role in the remaining conflicts). Undoubtedly, Georgia has become the European Union's main partner in the region and a testing ground for solutions to be implemented in other countries.

In terms of security, the United States is Georgia's main partner: practically, it finances and develops the Georgian army (through the Train and Equip programme). Washington is also Georgia's major weapon in disputes with Russia (for example, through active involvement in

the solution of the Ajaria crisis). On its part, Georgia builds up its credibility with Washington by supporting the latter's foreign policy. For example, it has sent more than 800 troops (one of the largest contingents in the coalition forces!) to Iraq. This, in turn, helps modernise the Georgian army (see below).

However, there has been no breakthrough in the relations between Georgia and Russia. Moscow continues to regard Georgia as its sphere of influence. Russia is concerned about the "rose revolution" and its consequences for the NIS (the "rose revolution" is generally regarded to have been a testing ground for Ukraine's orange revolution), as well as the growing Western presence in the region. The programme to restore Georgia's territorial integrity is also seen in Moscow as an assault against Russian interests (see below). Characteristically, Moscow increasingly resorts to veiled military threats against Georgia in addition to its traditional instruments of economic pressure and exploitation of regional conflicts. For example, it has come up with the concept of pre-emptive attacks against terrorist camps beyond the borders of the Russian Federation, and alleges that such camps are operating in Georgia's Pankisi Gorge.

### **The question of territorial integrity**

The new leadership considers restoring the state's territorial integrity to be one of Georgia's most important priorities. As a result of the wars in the first half of the 1990s, Georgia lost control of Abkhazia and South Ossetia (both regions transformed into independent para-states hostile to Georgia). The Ajarian autonomy, "privatised" by the local leader Aslan Abashidze, likewise slipped out of Tbilisi's control, and integrity problems also emerged in the Armenian-dominated Samegrelo-Zavakheti. The efficiency of the state's control over individual provinces was a perpetual problem.

The deficiency of territorial integrity has had very serious consequences for Georgia. It gives Russia, a backer of the para-states (including Ajaria until recently), a powerful tool to press Georgia. It also threatens a renewed outbreak of conflicts and makes international co-operation (e.g. with NATO) more difficult. On top of that, it breeds criminal problems and generates economic losses for Georgia. Finally, integrity has great symbolic significance in internal politics. In spite of many declarations, Georgia under Shevardnadze was not able to solve this problem.

The new authorities first turned to Ajaria, whose leader openly opposed the "rose revolution" and threatened to use force and proclaim independence, which he could do with the armed forces he controlled, robust financial backing and Russia's support. During the months that followed Saakashvili carried out an unexpectedly sophisticated game. He voiced threats and struck deals with Abashidze, implemented measures to win over the Ajarian society using the slogans and methods of the "rose revolution", staged demonstrations of power reinforced by US pressure and EU mediation, and neutralised Russia's influence. The result was Ajaria's spectacular return to Georgia and Abashidze's escape (on 5/6 May 2004). Thus, in the first months of their rule the new authorities achieved the greatest success in the history of modern Georgia. They restored lost integrity in one corner of the country, demonstrated their own efficacy, proved that the processes taking place in the country were democratic and peaceful, and showed that they were determined to implement their political programme (including a radical struggle against corruption and the supporters of Abashidze).

In an atmosphere of enthusiasm that followed the victory in Ajaria, measures addressing South Ossetia were also intensified. However, not enough attention was paid to the different nature of that problem: the memory of war, ethnic differences, Ossetia's strong ties with Russia and Moscow's vital interests. In summer, a number of measures previously tested in Ajaria were implemented in South Ossetia, including propaganda campaigns (humanitarian aid and political gestures) and demonstrations of power. This led to escalation of the conflict and local Georgian-Ossetian clashes, in turn increasing Russia's determination and breeding concern in the USA. Fearing the political costs and regional destabilisation, the latter refused to back Georgia. Thus the status quo ante was restored, indirectly strengthening the position of South Ossetia and its leader Eduard Kokoity.

As regards the greatest problem, namely Abkhazia, the authorities adopted a waiting attitude, even though the internal crisis over the presidential election in that republic afforded Georgia an opportunity to cautiously join in the game. But given Russia's determination, no breakthrough materialised.

The 2004 successes are unquestionable, but presently, restoring full territorial integrity is beyond Georgia's reach. Without firm support from the West and agreements with Russia, and while Georgia has yet to establish its position as a stable country experiencing robust economic development, the chances of Tbilisi regaining control of Abkhazia and South Ossetia are very small. It should be noted, however, that the new leaders fully realise the challenges they face, and they have been able to take advantage of the opportunities as they happened (especially in the case of Ajaria). Ready to accept risk, they have been able to act flexibly, for example when they froze the escalation of the conflict in South Ossetia and adopted their position on the crisis in Abkhazia).

### **Reform of the armed forces**

Reform of the armed forces has been another priority of the new government. The Georgian army was in really bad shape and it was regarded as the worst force in the region. There was not enough funding not only for investments, but also for the basic needs such as pay or meals. The soldiers' morale was very low, and corruption and disorder were widespread. There was no funding to address those problems in the state budget, and the reform would not have been possible without foreign assistance.

Such assistance came from Washington. After the "rose revolution's" success, when the new authorities gained credibility and expanded Georgian military presence in Iraq, Washington decided to extend the Train and Equip programme under which American military instructors had been training Georgian servicemen since April 2002 - the first Georgian battalion completed its training in December 2002. In April 2003, i.e. still under Shevardnadze, Georgia sent its first contingent of 69 troops to Iraq (to serve under US command). Georgia's participation in the stabilisation forces was another clear signal sent to Washington (Georgia had been one of the first states that unconditionally backed the US-led operation in Iraq). After the "rose revolution" the contingent was expanded several times: to 200 troops in April 2004, and to more than 300 troops in November 2004. In 2005 it is expected to reach 850 servicemen (most of the soldiers going to Iraq have previously completed training within the Train and Equip framework). This gradual expansion of military presence in Iraq generates benefits for Tbilisi. Firstly, it is a good influence on Georgian-American relations and is directly reflected in the volume of US military assistance provided to Georgia. Secondly, participation in the stabilisation mission improves the Georgian army's combat capability. So far, approx. three thousand Georgian military have completed the Train and Equip programme, and the amount of US aid earmarked for this purpose exceeded US\$ 60 million. This kind of assistance is immensely important for the Georgian armed forces: newly trained servicemen have much better morale, their pay is several times higher, and officers who have completed the programme themselves train more soldiers. In addition to training, the Georgian army receives valuable equipment and funds for overhauls of military installations, barracks, etc. Washington has also pledged financial assistance for the withdrawal of Russian military bases from Georgia.

It is clear that the reformed army has become instrumental in Tbilisi's policy towards the separatist provinces (the blockade of Ajaria combined with a demonstration of power; the display of strength before South Ossetia). The authorities, however, do not appear to be willing to use force to solve the problems of separatism.

### **Economic issues**

During the first months after rising to power, the new leadership had no specific and clear programme of economic reforms. That period was mostly devoted to the struggle against corruption and confiscation of the assets of people affiliated to previous regime and suspected of having gained wealth illegally. Another priority in those months was to gain as much foreign

assistance as possible, mostly from the United States and Member States of the European Union. Washington, Brussels and European capitals generously supported the new government, committing substantial amounts (which totalled several tens of millions of dollars and euros) to the presidential and parliamentary elections, rises of pension and soldiers' pay, administration reforms, etc. In June 2004, a donors conference was organised by the World Bank and the European Union in Brussels. European donors and international finance organisations pledged to provide one billion dollars of non-refundable assistance for Georgia between 2004-2006. This amount is to be spent on economic programmes (energy and infrastructure), reform of the state administration, struggle against poverty and reintegration of Ajaria. The funds will be provided on the condition that the projected reforms really get to be implemented. The volume of assistance has no precedence in the region, and it proves that the West firmly supports the new order in Georgia. For Tbilisi, it affords a chance to elevate Georgia's economy from its present poor condition.

In December 2004 a new, simplified tax code was enacted in Georgia, which introduced a 12 percent flat tax rate and other measures designed to attract investors. An abolition law was also passed, enabling legalisation of undeclared funds and assets. These two bills are among the most important laws passed last year, and they create a good climate for Georgia's economic development.

### **The bottom line**

Georgia's 2004 bottom line is definitely in the black.

Firstly, the fears that the country could become destabilised as a result of either a split in the ruling team or outbreak of an armed conflict did not materialise. In spite of tension within the ruling team, president Saakashvili has fully controlled the situation and prevented disintegration of the ruling coalition. The new leadership has confirmed its legitimacy in the presidential and parliamentary elections, and demonstrated that it was able to manage the state apparatus quite efficiently and remain popular.

Secondly, the country did not slide into economic breakdown as it had been feared. On the contrary, both living standards of the people and the condition of the state budget improved (as the new leadership gained credibility in the West for its Euro-Atlantic aspirations, foreign humanitarian, economic and military aid began to flow into Georgia). The new bills that were passed, and the great volume of international aid that has been pledged, should further improve the country's economic situation.

Thirdly, Tbilisi has achieved a spectacular success as it reclaimed control of Ajaria.

Fourthly, corruption at all levels has been curtailed substantially. Although the recent corruption scandal at the Ministry of Defence (January 2005) proves that Georgia is still struggling with the problem, the scale of corruption is much smaller than before the "rose revolution".

Finally, Tbilisi has strengthened its position on the international arena in an unprecedented manner. Georgia has been included in the EU's New Neighbourhood Policy (alongside Armenia and Azerbaijan), which presumably would not have been possible if not for the success of the Georgian "rose revolution". There is now a new quality to Georgia's co-operation with NATO: Georgia was the first country to present its Individual Partnership Action Plan to Brussels, the final form of which was approved after several months of consultations. The relations between Georgia and the United States are developing dynamically, and Georgia has become a "powerhouse" for the entire region, elevating the standards of co-operation with Euro-Atlantic institutions also for Armenia and Azerbaijan.

The failures of Georgia's first post-revolution year include the fact that the country has not been able to develop good and constructive neighbourly relations with Russia. Next to the condition of the economy and the economic reforms, this will be one of the greatest challenges facing Tbilisi in the nearest future.