

# The political realities of “democratic” Georgia

By Tom Eley

One of the constant themes in the US government and media presentation of the conflict in the Caucasus is the depiction of Georgia as a bastion of democracy. The Bush administration has increasingly invoked the terminology of the Cold War by referring to “democratic Georgia” as a symbol of the “free world” and its struggle against authoritarian Russia.

The reality of political life in Georgia is far different than the media image.

Only last November, in the midst of mounting protests against his regime, Georgian President Mikheil Saakashvili employed dictatorial methods against his opponents. On November 2, opposition demonstrations began in Tbilisi, demanding democratic reforms and the ouster of Saakashvili. These protests, while organized by billionaire media tycoon Badri Patarkatsishvili, gave vent to grievances against government repression and the desperate living conditions of the population. They attracted tens of thousands to the streets of Georgia’s capital city.

The demonstrations continued until November 7, when the state police, acting on orders from Saakashvili, used tear gas, rubber bullets, water cannons and truncheons to disperse the protesters. More than 600 required medical attention after the crackdown. On the same day, Special Forces raided Patarkatsishvili’s broadcasting corporation Imeldi, beating journalists and disabling equipment.

Saakashvili declared a state of emergency, suspending democratic rights such as freedom of expression and assembly. Independent broadcasting was halted even before the state of emergency was declared, and only the state-controlled television station was allowed to broadcast for a period of fifteen days. Imeldi was taken off the air indefinitely.

During the crackdown, Saakashvili called for snap elections to be held less than two months

later, on January 5. The elections, held under conditions of political intimidation and repression, placed the opposition at an enormous disadvantage.

All media were under the de facto control of Saakashvili. In addition, two opposition leaders, Konstantin Gamsakhurdia and Shalva Natelashvili, were declared “wanted for treason.” The government accused them of conspiring with Russia to overthrow the government.

Patarkatsishvili, who likewise faced a government investigation for allegedly plotting to overthrow the government, began his campaign from Israel. He withdrew from the elections after the government released a recording of him attempting to bribe a police officer.

Patarkatsishvili died suddenly last February in London at the age of 52. Authorities attributed the death to a massive heart attack, but Patarkatsishvili believed the Georgian authorities were targeting him for assassination.

The early elections eliminated two other serious rivals for the presidency—former defense minister Irakli Okruashvili and lawyer Tinatin Khidasheli—both of whom were just shy of 35 years of age, the minimum, at the time of the vote.

Okruashvili fled the country shortly after the crackdown in what ABC News called “mysterious circumstances.” He had accused Saakashvili of corruption, but after being placed under arrest he was apparently forced to retract the allegations.

During the campaign, election observers from the Organization for Security and Cooperation in Europe reported that the credibility of the election had been placed in doubt by allegations that Saakashvili had used state money, blackmail and vote-buying. With rivals under arrest, under police investigation, in exile or legally barred from running for office, it is little surprise that Saakashvili won reelection. After his victory, the opposition claimed that the vote had been manipulated. His vote total



surpassed by 20 percent that which had been projected by an opinion poll released one week earlier.

The Saakashvili regime faced international criticism from foreign capitals and human rights organizations for its assumption of dictatorial powers. Though the level of repression Saakashvili employed exceeded the measures that had been taken by his predecessor, Eduard Shevardnadze, against the so-called “Rose Revolution” that brought Saakashvili to power in early 2004, criticism from the United States was much more muted.

US Deputy Assistant Secretary of State Matthew J. Bryza, a close ally and personal friend of the US-educated Saakashvili, acknowledged that the State Department was “hearing more and more reports that people were grabbed from stores or that passers-by were beaten,” but concluded merely that “Things got out of control.”

NATO head Jaap de Hoop Scheffer responded with little more than a wrist slap against the Georgian government, which was seeking NATO membership. He limited himself to the observation that “the imposition of emergency rule and the closure of media outlets” were not in line with “Euro-Atlantic values.”

In fact, the “excesses” of Saakashvili in putting down peaceful protests were not mere aberrations. The US State Department, in its 2008 “Country Reports in Human Rights,” listed the following in relation to the Georgian government: “at least one reported death due to excessive use of force by law enforcement officers, cases of torture and mistreatment of detainees, abuse of prisoners, excessive use of force to disperse demonstrations, poor conditions in prisons and pre-trial detention facilities, impunity of police officers, continued overuse of pre-trial detention for less serious offenses, lack of access for average citizens to defense attorneys, lack of due process in some cases, and reports of government pressure on the judiciary.”

The report went on to state: “Respect for freedom of speech, the press, assembly and political participation worsened, especially during the fall crisis. Other problems included reports of government pressure on the judiciary and the media, restrictions on freedom of assembly and freedom of speech, and corruption among senior-level officials. Despite government efforts, trafficking-in-persons continued to occur.”

The so-called “color revolu-

tions” in Georgia (2003) and Ukraine (2004-2005) did not represent the spontaneous will of the masses. They were political coups orchestrated from Washington, with the aide of non-governmental organizations (NGOs) subsidized by the US government and private foundations.

Chief among the NGOs involved in Georgia’s “Rose Revolution” was the Liberty Institute, which was funded by the United States Agency for International Development’s Eurasia Foundation as well as billionaire financier George Soros’s Open Society Institute. The Liberty Institute’s co-founder, Giga Bokeria, took a Soros Foundation-funded tour of Serbia in February 2002 to learn how the Otpor, or “Resistance,” student opposition had ousted Slobodan Milosevic following a disputed election in the autumn of 2000.

Another US government outfit involved in the ouster of Shevardnadze was the National Endowment for Democracy (NED), a center of international intrigue and subversion set up under the Reagan administration and relying heavily on the services of the AFL-CIO trade union bureaucracy. The Democratic Party wing of the NED, known as the National Democratic Institute, in the words of Wall Street Journal columnist George Melloan, “helped introduce Mr. Saakashvili to the methods insurgents in Serbia used to depose dictator Slobodan Milosevic.”

Saakashvili’s reelection last January was based politically on an appeal to rabid Georgian nationalism. The central plank of his campaign was a pledge to restore Tbilisi’s authority over the pro-Russian breakaway provinces of South Ossetia and Abkhazia. They had established de facto independence as a result of bloody fighting with Georgian government forces that followed the revocation in March 1991 of the autonomy guaranteed them under the Soviet constitution.

Within months of his reelection, Saakashvili was assuming unprec-

edented powers in what the *Manilla Times* called “a distinctly undemocratic one-party state.”

Saakashvili is the representative of one faction of the Georgian ruling elite. Including in its ranks former officials of the old Stalinist regime, the new financial oligarchy emerged from the breakup of the Soviet Union, amassing its wealth by plundering the formerly nationalized economy.

In contrast to Western tributes to the economic growth and modernization of Georgia under Saakashvili, his government oversees a miserably poor and highly polarized society. Formerly one of the wealthiest Soviet republics, in 2007 Georgia ranked 108th in the world in per capita gross domestic product (GDP), below countries like Bhutan, Ecuador and Guatemala. Its GDP ranks 114th in the world, below that of Equatorial Guinea.

If it were a US state, Georgia’s GDP would rank at the bottom, equalling about one-third of Vermont’s. The official unemployment rate in Georgia stands at nearly 13 percent. More than one half of the population lives below the official poverty level. Over one quarter lives on less than \$2 per day. Last year the average monthly pension was \$30.

But Saakashvili’s pro-Western, “free market” economic policies have fostered the growth of a small but growing wealthy elite. Georgia earned the World Bank’s 2008 designation as “the number one economic reformer in the world” because it improved in one year from 112th to 18th in creating what is euphemistically called “a friendly business environment.”

What this means in practice is the scrapping of all regulations and encumbrances limiting the exploitation of the working class and the accumulation of personal wealth by a rapacious financial elite. In 2004, Saakashvili’s first year in power, his government abolished the progressive income tax and replaced it with a 12 percent flat tax.

## That shrinking feeling

EUROPEANS might be forgiven for feeling bruised. The housing bust across the Atlantic was the trigger for the credit crunch, so justice demands that America suffer most from the fallout. But America has not so far followed the script, weathering the storms better than it expected. Its GDP suffered a tiny decline at the end of 2007, but it grew at an annualised rate of around 2% in the second quarter of 2008.

Europe is struggling to stay above water. Figures released on Thursday August 14th showed that the euro-area economy shrank at an annualised rate of 0.8% in the second quarter, the first such reverse since 2001. Nor are things likely to improve soon. A closely watched survey of purchasing managers in manufacturing and services slumped in July to its lowest level since 2001. Business confidence has turned down sharply in all of the three biggest economies in the euro area: Germany, France and Italy.

Indeed, in the second quarter GDP fell in all three countries, paring their annual growth rates (see chart). That Italy slipped is no surprise; even in brighter times for the world economy, it has struggled to maintain its growth. Meanwhile Spain’s GDP has predictably stuttered as it endures a painful shock from its burst housing bubble. More alarming is the step back by France and Germany, which seemed sturdier than their southern neighbours.

In truth, the 2.0% annualised fall in German GDP in the second

quarter makes its economy seem in worse shape than it is. A warm winter allowed more construction work than usual, spurring an aberrantly large rise in first-quarter GDP. The second-quarter decline is partly a payback. Yet there are worrying signs that the export motor that drives the German economy is sputtering. Orders for German engineering goods fell in June by 5% from a year ago, according to VDMA, a Frankfurt-based industry group. Foreign orders fell by 7%.

Thomas Mayer, an economist at Deutsche Bank, detects feelings of dismay in Germany at the economy’s deterioration. After all, this was one of the few rich countries that skipped the global house-price boom. And unlike America, Germany is a supplier of global credit: its current-account surplus was a hefty 7.7% of GDP last year, according to the OECD. Mr Mayer thinks there is a belief in Germany that “we didn’t do all those bad things, so it’s not fair that we are suffering”. What is missing, he says, is any recognition that Germans profited from the credit-fueled global boom, that “they were part of the game” as suppliers if not as consumers.

The rest of Europe was hardly immune from housing mania. House-price rises in Spain, Ireland and France during the boom years outstripped even America’s. Ireland’s housing bust may yet prove to be the most dramatic of all. Its GDP, which grew by 6% in 2007, is likely to shrink this year, according to the Economic and Social Research Institute, a Dublin-based

think-tank. Ireland is too small for its economic troubles to pull down other countries much but Spain’s economy has enough heft to inflict collateral damage. Spain accounts for one-eighth of euro-area GDP but until recently was generating a much larger share of consumer spending and new jobs. Now the Spanish consumer is in retreat—retail sales fell by almost 8% in the year to June—and unemployment is rising.

The Spanish collapse has hurt firms in other euro-area countries. German and Italian exports to Spain have slowed sharply since last year, according to Julian Callow at Barclays Capital. French exports to Spain are now falling. Prospects for sales outside the euro area have darkened too. America’s economy is doing well partly because it is sucking in fewer imports. Britain, the euro-area’s other main export market, is on the brink of recession.

Hopes that spending by consumers in the thrifter parts of Europe would make up for lost exports have been dashed. In less troubled times, the marked acceleration in wages and salaries in the first quarter would soon push up spending. But because of sharp increases in food and fuel prices, fatter wage packets have barely kept up with inflation, which is now 4%.

Nor has thrift yielded much reward. When the economy was strong, most consumers were cautious about saving less and spending more (the euro-area saving rate has barely budged in the past three years). Now, when fears of

jobs losses are rife, they are even less inclined to splash out. Retail sales across the region fell by 3.1% in the year to June. Even if there were a desire to borrow to finance spending, banks might be unwilling to meet it. Loan growth is wilting and a survey by the European Central Bank (ECB) suggests that lending conditions are becoming stricter.

No wonder business confidence is flagging and companies are pulling in their horns. Until recently, capital spending was one of the main drivers of economic growth. Firms were keen to invest on the back of healthy profits, solid foreign demand and hopes of a pick-up in consumer spending. Despite the credit crunch, banks seemed content to offer loans to companies for buildings and equipment, even as they recoiled from lending to households. But now loans to companies are slowing as well—a sign that firms are cutting back. Stronger wage growth and high commodity prices have squeezed profits, and export order books are suddenly thinner.

The economy’s downward lurch puts the ECB in an awkward spot. It raised its main interest rate to 4.25% on July 3rd to show that it was serious about controlling inflation, which is well above its target ceiling of 2%. The rate-setters’ fear was that inflation would persist if firms and households used today’s rate as a benchmark for future wages and prices. They are right to worry. In Italy and Spain, wage growth is picking up even as unemployment rises, because of



contract clauses allowing workers to be compensated for higher-than-expected inflation.

The good news is that the drop in oil prices may mean that euro-area inflation has peaked. But it will start to fall back only towards the end of the year. The ECB will be reluctant to cut interest rates until it is sure that the inflation danger

has passed. By then, the euro-area economy may already be in recession. Mr Mayer reckons that the ECB will attempt to revive it by cutting interest rates to 3.25% next year. But until then, it is hard to see what else might lift growth. Many Europeans will feel that they deserved better.

Source: *The Economist*