



## Transcript

# Why Georgia Matters

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Chair: Lord Wallace of Saltaire

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## **HE Mikheil Saakashvili:**

Thank you, ladies and gentlemen. Needless to say, it's a great pleasure to be here at one of the leading think tanks of the world, because it's been some time since I delivered a political speech in this great city of London. Like all countries in the world, Great Britain has faced and is still facing a huge economic cost. But I can sense the mood of determination to solve those problems.

I saw a report on BBC recently interviewing a man in his 60s from the North-East of England. His manufacturing firm had gone bankrupt, but he told the interviewer he was determined to create another company right away. The journalist was shocked that a man of his age would start such a venture again, but he told her defiant, 'we will fight this recession and overcome it because we are British'.

This is exactly the spirit we Georgians admire so much about this country. And this is exactly the spirit of the Georgian people have put in motion since 2003 in the Rose Revolution. Despite all the odds, despite all provocations, despite invasion and occupation of 20 per cent of our territory, despite the world economic crisis, we managed to build a successful alternative to authoritarian regimes and practices in the region.

I come from the part of the world where people used to say that the choice was between chaotic freedom and efficient dictatorship, between Yeltsin type of chaos and between Putin's style of order. In these last five years, we have proved that even in the post-Soviet area, one can have both freedom and efficiency. We proved that true order cannot be achieved without strong democracy.

That is the first thing why Georgia matters today. Georgia matters because it has become a laboratory of European transformation in our part of the world. People always think that revolutions exist in slogans, demonstrations or even guillotines and mass graves. We had this privilege of being the first ever televised revolution in world history. We were four and a half hours on CNN without commercial breaks.

But I think revolution does not mean... this evokes festivity, the real thing starts after that. What our experience tells us is exactly the opposite. True revolution consists much more in a long difficult process of reforms. To change a society requires continuous commitment, more than implementers' speeches.

When we took power in 2003, Georgia was both a failed state and one of the most corrupt countries in Europe, and in the world. There was total chaos within the state system. Our economy was stagnating. Our population was poorer than Soviet times. GDP per capita was 800 dollars per person. We had a huge regulatory framework that nobody paid attention to. We had a tax code that nobody was even considering respecting. Citizens were arrested for bribes by police every hundred metres in our capital. Businessmen were often abducted and sometimes killed. A foreign power was controlling our security forces.

We were, ladies in gentlemen, in the most horrific post-Soviet delinquency. We decided to change everything quickly because we knew that our honeymoon with Georgian opinion would not last forever, and that our popularity was a capital we should invest quickly in reforms, and also because we understood that our northern neighbour would not give us much time to perform our agenda.

We decreased tax and made sure people would pay them. We reduced regulatory burden and made sure rules would be obeyed. We reduced the number of law enforcement but made sure they would enforce the law and not steal money from peoples' pockets. We gave a limited scope to the government so that it would and could its mission. We allowed people to take initiatives without the state interfering anymore. Guess what? It worked.

According to the World Bank, and this is not my public relations exercise here, I'm talking about the results that we have confirmed by these organisations. According to the World Bank, Georgia is now the eleventh most attractive country in which to do business. In 2003, we were 137<sup>th</sup> place. Right now Russia is 140-something, Ukraine 130-something, most post-Soviet countries are below 100. First place is Singapore, Hong Kong, US, Canada, New Zealand, UK, Ireland, Norway, Denmark, Georgia, then Finland, Netherlands.

We are first in Eastern and Central Europe, Our mentor Estonia, because they are in the European Union... on that list we are number 11.

Georgia has the fourth lowest taxes on entrepreneurs in the world, only behind Qatar, United Arab Emirates and Hong Kong, according to Forbes. According to DDRB survey, Georgia is one of three least corrupt countries in Europe, not only in Eastern Europe. Transparency International, which takes lots of time to evaluate and is perception-based, after many years, ranked Georgia as the number one fighter against corruption in the world for the last five years.

During these five years, we moved up 77 positions on transparency ethics. I am not just competing, but it happens that Russia moved down about the same positions. We met in the middle and they said hello to us. But Georgia moved up. We're on par with Netherlands, Denmark, and some other important countries.

If you see in the figures, Georgia's budget in last year before we took over was 350 million dollars. It has increased at least 12 times, after we decreased taxes by 65-70 per cent. Basically, our economy didn't grow 20 or so times, it grew basically almost three times. This is index of reduced corruption. This is index of legalisation of black economy. These are real figures, you cannot demand or change them.

In only one per cent of Georgia's population did last Gallup poll has said they had first hand experience of corruption. It used to be more than 85 in the polls prior to when we took over. And Georgia is a pretty cynical people on many issues. But this one certainly is a good figure.

We have made an amazing progress and we want to embed this within the Georgian system. That is why Parliament is currently debating a liberty act enshrining liberal principles within the constitution. Small government means efficient and fair government. Part of my proudest achievement has been to improve the education and healthcare standards for the poorest in our society and to increase pensions for the older.

Nearly a third of state budget is spent on tackling the welfare needs of the people of Georgia. We are working to combine economic prosperity with social justice. Poverty was reduced from 52 per cent down to 23 per cent. Well, it's still a very high figure. But that 23 per cent is covered by a minimum government threshold subsidy. This 23 per cent has 100 per cent health coverage.

We build more schools, more hospitals, more roads, to alleviate poverty. For the last four or five years we have built more in Georgia than in the last 40 years, including the Soviet period. And this is just the beginning.

Ladies and gentlemen, we are also working to combine economic prosperity with social justice. Our aspiration is clear. We want to become a functioning European democracy and we are working towards this goal. Georgia aims at becoming an example, also to others, not in some high-handed way but because we believe that our region will benefit from an injection of the lifeblood of democracy, freedom, and efficient small governance.

I know our democracy is still young and many things remain to be done. But we are working on it every day. Usually when a country is threatened, government sees the opportunity to crackdown on dissent and limit freedoms. We are doing exactly the contrary. We have set up a constitution commission chaired by an independent figure to build up our reforms put in motion during these last years. And that will be commission that will lead to a much more balanced system of governance, much stronger parliament, because that's the consensus built up in the commission. To keep up pace, government has tabled constitutional amendments already now to increase the powers of Parliament, even before the commission comes up with final conclusions.

We changed the rules for the election of the chairman of the Central Election Commission to get opposition on board. We put opposition on the board of public broadcasters and indeed we also created Georgian C-Span. Second public channel, every qualified parties (those that are part of the Constitution Commission; they might not be necessarily popular) each have one hour of live broadcast, plus everybody has access, live.

We are working with opposition to draft new election code based on international best practice and taking account of experiences of recent elections. We have begun to improve voter lists and right now the opposition has been given money and rights to check lists drafted by election commission and to come up with their list that would be incorporated into the existing voters list.

We have also got the opposition involved in national security council, to attend the meetings and make their contributions to strengthening the defence of our country. When we first started this meeting we had very radical people there that were keeping themselves shut in the presidential palace for three months because they were demonstrating in the centre of the capital and we decided not to touch them. These were the people that would never mention this like normal terms, the softest word they would call me is a rabbit, or a scared squirrel... that was the nicest one.

But then you had these guys coming there, sitting in this national security council meeting, and in the end I got so excited they were there that I gave up lots of very sensitive information- on our defences, on our security plans, on our foreign contacts. And then some of our ministers were looking at me very scared, saying in body language 'you better shut up now or we're not going to even tell to you next time'. And then in the end I said 'look guys, would you please not leak it to the press'.

These are the people who are of course camera hungry. Since then, four months has passed and not a single word has been leaked to anybody. That really shows what bringing and co-opting even the most radical opponents, what you can do.

At the end of May, the first direct elections for mayor will be held. That means that will be a very powerful figure, especially with the constitutional amendments bringing now diminishing presidential power later this year.

Democracy is not all about only pure political debates. NGOs and think tanks have a vital role to play in holding government to account and assisting the policy-making process. But a special foundation has also been set up to finance research and development through the political parties and NGOs. It is not the government's role to create powerful civil society; it must grow organically. We can create the best framework and environment to help civil society flourish.

Georgia's democracy has been difficult but exciting maturation process. But already it is a vibrant, open society in which all political actors are able to speak freely. My government is committed to media freedom and to implementing a number of reforms to ensure and broaden the political debate.

Besides the reforms of public broadcaster, we have now a BBC team there and evaluating what should be changed, how it should be changed, and there is an on-going process. I personally met with them to hear what they had to say, but it basically looks like this co-operation is proceeding pretty well. I don't want to precede the BBC team's conclusions, but they seem to be in the process of fruitful co-operation.

There are several hostile channels on the air, and they broadcast everywhere. There are also many independent media channels, there are 24 regional independent channels and public channels.

I am not saying that our political situation is perfect. Not at all. We face huge challenges. Our media still lack objectivity and professionalism. Our judicial reform produces largely the results we expected. Political debates often turn to civil war rhetoric. Lots of citizens feel left aside from economic progress. Mistakes are made.

But please consider where we were five years ago and where we stand now. Please consider that all these reforms have taken place in the context of permanent aggression coming from the north. Consider then when you understand why this laboratory Georgia matters. It matters because it shows a strategic region for Europe that another way is possible, that authoritarian

corruption can be overcome in the post-Soviet area. In some ways, Georgia's geographical location is a curse. I will come to this later. But in other ways it is a blessing.

For centuries, Georgia has been a transit point for international trade, especially from East to West. It is very European, Christians from the fourth century, but on the other hand very multi-cultural, multi-religious and have a wide range of cultures. The audience doesn't need me to explain the vital geopolitical significance of energy in our century. Fortunately for the UK you are located far enough away from Russia that the Kremlin is not able to turn off your gas supply.

Our friends in Eastern Europe are not so lucky. Each day we have to live with the possibility that the taps would be turned and they will be left freezing. But my country was in the same situation before, in 2006. When we had been importing 80 per cent of our electricity and 100 per cent of our gas from Russia, there were mysterious explosions on the other side of the border in several places and we had a full black out and record cold temperatures that winter.

We learned our lessons, and not only are we now almost not dependent upon any energy from Russia, we are net exporters of electricity to Russia. But we also want to help with energy diversification of Europe. We already have a pipeline operated by BP. When the pipeline is complete, transfer will also be even more. And with the huge new gas reserves being discovered, Georgia offers a great opportunity for Europe to resolve its energy security worries.

For Georgia itself, I am pleased to report that basically we are working on energy terminals in the Black Sea. We are working together with our colleagues on ideas to transport Kazakh gas through directly. And there are some other options to be considered. In terms of electricity, Georgia is doubling its hydropower potential for the next five to seven years. We are building transmission in all directions to be able to export it.

For the region it's very important because we are exactly on the edge of both regions, north and south. South-north exchange of electricity, in which Gulf states, Iraq has a huge stake... we Georgia already export electricity to Iraq now. Turkey has a huge stake, Iran, but also Russia and the countries of the Caucasus. Georgia will serve as a main exchange point where all electricity points come in from Georgia and go out from Georgia and Georgia itself has strong hydropower potential to basically back up with emergencies.

So that's why we are an energy gateway, and we can gradually also be an important hydropower centre for the region.

This is precisely why the Kremlin will do anything possible to prevent us from succeeding. I didn't say it. President Medvedev said it this morning. They keep saying it every day. Georgia has remained resilient and strong, but Russia illegally occupies 20 per cent of Georgia's territory and Russian tanks sit only 42 kilometres from Tbilisi.

In August 2008, 130,000 people were forced to flee their homes in a brutal ethnic cleansing campaign. Thousands of them will not be able to return in the foreseeable future. It leads us to the horrible truth that our population of 4.7 million Georgia counts up to 480,000 IDPs because of Russian ethnic cleansing campaigns both in the 90s and 2008.

While the rest of Europe celebrated last year the 20<sup>th</sup> anniversary of the fall of the Berlin Wall, a new barrier is being built to divide my country. South Ossetia, independent great of state of South Ossetia, population 80,000 people at this moment. President of Russia has to meet the leader of this so-called independent state once in awhile on the red carpet of the Kremlin. This is a state whose borders are guarded by Russian border guards because 90 per cent of the population have been chased out. It's still a small, remote, heavily mountainous area.

Four adolescents were arrested a few months ago because they left their school and their house from which they were chased. They were a few hundred metres from their school and didn't see anyone so they said 'why don't we sneak into our house'. They were arrested for illegal violation of border, tried and sentenced by FSB Russian border guard troops, for trying to sneak into basically an empty area which Russian tries to pretend is its great independent state.

Abkhazia, no matter what you say about Abkhazia, but 85 per cent of its population is gone. They are not there. Jews, Ukrainians, and I hate to say ethnic Georgians, only part of them... I didn't know how they distinguish Ukrainians from Russians, but somehow they expelled the Ukrainians from there when they arrived.

So these are the classical 20<sup>th</sup> and 21<sup>st</sup> century ethnic cleansings. That's why it's so important that names are called. We are all very happy that finally, after many years, European Parliament has started to say 'ethnic cleansing'. Council of Europe said 'ethnic cleansing'. A number of European parliaments have mentioned ethnic cleansing.

It still is a hard time to fix the term exactly what the Russians are doing in Georgia, because people tried not to say that they're occupiers. They say that they are peacekeepers, as they pretended to be prior to 2008 and so what



are they doing there now? How do you call their presence there? Are they military tourists? Just explorers? What kind of new indigenous population have we got there, with tanks and ballistic missiles? Of course these are the questions that need to be handled and responded to.

When the rest of Europe celebrated the 20<sup>th</sup> anniversary of fall of Berlin Wall, that was the day when they decided to start drilling offshore in Abkhazia. At one point environmentalists were deeply concerned about Russian plans to extract millions of tonnes of gravel from Abkhazia for the 2014 winter Olympic construction in which inevitably will lead to an environmental catastrophe. As the coastline loses their natural defence from erosion, how far from the Olympic ideal can you get?

The closest town to the Olympic venue is a small town, 100 per cent of its population the most picturesque venue for Soviet leaders, it's 3 kilometres from Olympic venue. On the other side, the whole ethnic Georgian population was expelled together with Estonians living there.

You will no doubt be aware that tension remains high near the line of occupation. Incidents happen. Since the end of hostilities, there have been more than 150 incidents including numerous deaths. Despite international pressure, Russia has continued to flout the commitments made to the diplomatic community. Indeed, despite the so-called independence as we see, these territories are de facto annexed by Russia and certainly they have been recognised by Venezuela, Hamas and the latest acquisition was island of Nauro, I am not happy about it.

Their recognition was bought for \$55 million, which if you count per capita is 15,000 per inhabitant of Nauro. Basically a high price considering having some friendly island somewhere to get these things.

Because of this I worry today that nobody has gone after these criminal activities. Russian occupiers keep out international monitors. UN and OSCE monitors are shut out, independent journalists refused access. All that are left are a lonely group of European Union monitors which have access to the occupied zones, for that I am grateful they are there. They provided a source of information and trust to counter-balance Russian misinformation.

Nevertheless, with the best will in the world it is clearly not enough to keep an eye on everyday incidents and abuse of criminal activity. Because of this, I worry today that a new invasion remains possible, because the Western world did not make clear enough to Moscow that its behaviour in 2008 was grave and unacceptable.

The run-up to the invasion of my country has been well documented in two excellent books that I recommend. First is an academic perspective called *The Guns of August*, by Svante Cornell, and most recently *The Little War that Shook the World* by the head of the German Marshall Fund in Brussels Ron Asmus. Both books set out quite clearly the background to the war- that Russia has been preparing for the invasion of Georgia for some considerable time that Russia invaded before Georgian forces responded that Russian forces undertook a brutal ethnic cleansing programme.

I accept that this message has not always gone across in the Western media. The Russian government has a formidable PR machine not least here in London as well. That is for certain and you are all aware of that. Their spin-doctors managed to shape the perception that Georgia invaded them. That Georgia provoked Russia, even though we faced an economic embargo and permanent aggressions, bombings, missile attacks, and number of other provocations plus verbal attacks all the time. That Georgia bombed a sleepy and peaceful town, while in fact it was our towns and villages that were bombed and our citizens who fled for their lives.

I took time to look through history and I understood how it occurred. It is a pure technique known as mirror propaganda. It consists of blaming your victim for the very crimes you are committing. It has been a communication technique of every totalitarian regime of the past century, and it works pretty well, as we saw.

This cynical system has one objective: to produce a great story or blurred picture of the events. If everybody accused everybody of committing the same crimes, the perception becomes chaotic and true criminal is free to act. The victim remains alone, deprived, even of the status of the victim. The tactic is based on the idea that Western democracies do not want to get involved in conflicts and by muddying the waters it is designed to give them the opportunity to opt-out.

I am so grateful that politicians in Britain did not fall for this tactic. Some of the first politicians to come and support me and my government during the invasion were from your country. David Miliband and David Cameron both came and spoke from the values that Britain stands for the world- freedom, democracy, independence and we will never forget this in Georgia.

I know there is a school of thought in this country and elsewhere that Georgia is a nuisance and an obstacle to the West building a stronger relationship with Russia. Some see us as part of Russia's back yard, and are outraged that we should have our outlook in the world. To coin a phrase that see us as a far

away place of which we know little, and have no interest in finding out more. Never mind the fact that Georgia is committed to democratic reforms in a region where democracy is in short supply. We've seen it before, in what was said about Czechoslovakia.

From day one, since my government came in, there were bulletins published about my mental health from Russian psychiatric association and there were clichés established- volatile, hot-headed... but I also remember, without any comparisons, humbly, that when FDR first wanted to know who Churchill was, former Ambassador Kennedy kindly explained to him that it is a hot-head, drunkard and war monger. That happened lots of times in the past in history, to much greater leaders than I could ever dream of being.

Some see us as part of Russia's back yard and are outraged that we should have our own outlook in the world. Never mind that Georgian people look to the West and we are committed to joining the European community. Never mind that other people of the former Soviet Union look to Georgia as a test case of what they would like to achieve in their own locations.

It's not accidental that no former Soviet state recognised Russia's territorial conquests. Despite amazingly strong pressure from Moscow. On the verge of physical blackmail, I'm not talking about economic pressures, etc, which are daily towards countries like Belarus, Central Asia, Ukraine etc.

Let me assure you that there will be bigger consequences for the West if Georgia falls back into the Russian sphere. The hope of those in the former Soviet bloc will be crushed, leaving the countries across the region reoriented to the East. Markets and investment opportunities will be closed to the West in a very important economic and political region. The energy corridor of Georgia, which can help reduce dependence on Russian supplies, and help open up access to states in Central Asia will be cut off, literally sending a shiver across the EU if there is another cold winter and the Russians turn the taps off. NATO will lose an ally that has stepped up to the plate in all recent missions.

If bullies are not challenged, they become emboldened. I will not like to predict how the Kremlin will respond if their new aggression in Georgia gets the green light. That being said, I understand that Georgia has responsibilities that we must meet.

First, I know it is vital that we stay on the path to secure democratic reforms in our country.

Second, we must update our defence capabilities and learn our lessons from the conflict. We held a full investigation after the war and we have acted on its conclusions.

Third, we must stay on the course of Euro-Atlantic integration and continue to contribute to NATO missions.

I am proud that despite our domestic constraints we are playing one full part in the mission in Afghanistan. We are the biggest per capita contributor to this mission. I hope to see Georgian forces serving alongside British troops in Helmand province very soon.

I'm the first to acknowledge that the path to reuniting Georgia will not be easy. There is much work to be done to build bridges. I dream of the day when those languishing in displacement camps will be able to see their homes again. I have to mention, from South Ossetia, the overwhelming majority of refugees are ethnically Ossetian. I'm just saying that because Russian leaders had said immediately that they have to recognise South Ossetia because Ossetians and Georgians cannot live together.

We never drew these distinctions. They voted with their feet when the Russians said 'here we are to liberate you' and they fled from the liberators to the camps. They didn't know what the conditions were that would meet them.

We now have hundreds of families defying the so-called Russian border guards and their dogs that are there sniffing and trained to go after people. Hundreds of families moving to Georgia and other places, trying to start a new life in what they regard as their country. Most of them had fought with Georgian central government in the 90s. But they certainly don't want to stay with the real occupiers, the Russians.

I am sure that one day we will peacefully overcome the occupation and the new Berlin Wall that is being built in my country. I am pleased that all the international community, apart from my unforgettable friend, President Chavez, and the leaders of Hamas, share this view. Thank you for your patience, ladies and gentlemen.