

## Georgia Enters an Election Year

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Parliamentary elections will take place in Georgia in October, 2016, and it means that a hot season starts for political parties and society. Georgia is a parliamentary republic and, therefore, a political force to win elections for the legislative assembly will be empowered to form a government, i.e. it will take the reins of power in the country for the next four years. A natural question that concerns everybody is whether the ruling coalition *Georgian Dream* (GD) will be able to keep power or not. Analysis of the activity of the ruling force, highlighting its achievements and shortcomings will allow to answer this question.

I would argue that the GD in general has managed to preserve the achievements of the previous authorities and in some areas made the situation even better. However, unsettled problems are also available.

Georgia created favorable conditions to develop business and trade, which is proved by the data of authoritative international organizations and funds. A World Bank group publishes annual *Ease of Doing Business* rankings for 189 countries, based on 11 indicators. According to the ranking of 2015, Georgia was the 24<sup>th</sup> country, and by some components, such as "registering property," "getting credit," and "starting a business" was among seven best countries in the world.<sup>1</sup>

By *Stimulating Trade* index<sup>2</sup> Georgia was ranked 36<sup>th</sup> among 138 countries of the world in 2014, and by rating *Best Countries for Business*<sup>3</sup> in 2015 Georgia was ranked 47<sup>th</sup> among 147 states. By some components of these indexes Georgia is among the best states in the world. For example, it was the 13<sup>th</sup> country by the market accessibility

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<sup>1</sup>*Ease of Doing Business in Georgia*. Available at: <http://www.doingbusiness.org/data/exploreeconomies/georgia>

<sup>2</sup>Index is made by World Economic Forum.

<sup>3</sup>Rating is made by Forbes.

and the 5<sup>th</sup> and the 6<sup>th</sup> country by such indicators as the freedom of trade and the least bureaucratic system, respectively.<sup>4</sup>

Establishment of favorable environment to develop entrepreneurship and trade is mainly a result of campaigns that started as early as in 2004, and aimed at significant reduction of corruption and strengthening of the rule of law. Transparency International, an independent international organization, analyzing corruption rates, makes up an annual *Corruption Perceptions Index*, which reflects the rates of perception of corruption in the public sector by entrepreneurs and analysts by a 100-point scale. According to the rating of 2015, Georgia with 52 points was ranked 48<sup>th</sup> among 100 countries of the world.<sup>5</sup> Remarkably, Georgia was ahead of all CIS and some EU member states, including the Czech Republic, Slovakia, Italy, Greece, and Croatia. In 2015, Georgia was the 29<sup>th</sup> country, according to the *Rule of Law Index*, leaving behind some EU states (in particular, Italy, Hungary, Greece, and Bulgaria) and most of the CIS member states.<sup>6</sup>

At the same time, the rate of socio-economic development of Georgia is far from perfection. Numerous unsettled problems and challenges are still pressing.

The state-sponsored universal healthcare insurance program, which has been in operation since 2013, is fairly considered by all as the most important achievement of the government. Since the summer of 2013, medical care has become free for pensioners, disabled people, children below the age of 6, students and servicemen. In 2014, 6-60 year-old citizens started paying 30 percent of the medical care cost with the state covering 70 percent of relevant costs.<sup>7</sup>

Despite some tangible successful efforts of the government, the Georgian society suffers from many socio-economic shortcomings. The low competitiveness of the country is a serious challenge. In the rating of global competitiveness Georgia is ranked 69<sup>th</sup> among 144 states, some post-Soviet countries have left it far behind (for example,

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<sup>4</sup>*Georgian Economic Outlook*. Ministry of Economy and Sustainable Development of Georgia. Available at: [http://www.economy.ge/uploads/meniu\\_publicaciebi/ouer/OUTLOOK\\_ENG\\_2015.09.22.pdf](http://www.economy.ge/uploads/meniu_publicaciebi/ouer/OUTLOOK_ENG_2015.09.22.pdf)

<sup>5</sup>*Table of Results: Corruption Perceptions Index 2015*. Available at: <http://www.transparency.org/cpi2015#results-table>

<sup>6</sup>The index is made up by an independent international organization *The World Justice Project*. *The World Justice Project: The Rule of Law Index 2015*. Available at: <http://worldjusticeproject.org/rule-of-law-index>

<sup>7</sup>*The healthcare reform in Georgia: problems and achievements*. Available at: <http://mir24.tv/news/society/12972677>

Azerbaijan is the 39<sup>th</sup> country in this list)<sup>8</sup>. The World Economic Forum report indicates weaknesses of the Georgian competitiveness. It is also reflected in the Strategy of social-economic development of Georgia up to 2020, which was elaborated by the government in 2014. The mentioned report points out that Georgia has a very low indicators in such as protection of property rights, efficiency of legal framework in settling disputes, developing new technologies and their accessibility, opportunity for implementing innovations, effectiveness of the anti-monopoly policy, and some other fields.<sup>9</sup> The report stresses that improvement of the situation in these spheres is one of the key tasks on the way to European integration.

Direct investments have been seriously reduced in the recent years. For example, in comparison with the first nine months of the previous year, the inflow of foreign investments was decreased in 2015 by 17.2 percent, reaching a little more than 1 billion USD.<sup>10</sup> Such a slump is first of all explained by global economic trends, which had a negative influence on the amounts of direct foreign investments of many countries. In case of Georgia, it can be also explained by reduction of foreign investments in the energy sector of the country due to the temporary stoppage of operation of the Khudoni hydroelectric power plant. Some experts insist that this power plant can solve the problem of energy deficit from the economical viewpoint, as well as contribute to the inflow of foreign currency, taking into account the plans for exporting a part of its energy to Turkey. However, Georgian ecologists and local population are against construction of this power plant, pointing out that it would lead to a drastic deterioration of the ecological situation and destruction of historical monuments in the Upper Svanetia.

At present, the most significant foreign investments come to the transport and communications sectors. Among the investor countries, Azerbaijan has left others far behind. As for Russia, it is in the end of the first ten.<sup>11</sup>

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<sup>8</sup>*Georgia: The Global Competitiveness Report 2014-15*. World Economic Forum. Available at: <http://www3.weforum.org/docs/GCR2014-15/Georgia.pdf>

<sup>9</sup>*Social-Economic Development Strategy of Georgia: "Georgia 2020."* Government of Georgia, 2014. Available at: <http://static.mrdi.gov.ge/551e4a570cf24147438b1727.pdf>

<sup>10</sup>*Foreign Direct Investments*. Available at: [http://www.geostat.ge/index.php?action=page&p\\_id=140&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=140&lang=eng)

<sup>11</sup>*Ibid.*

Foreign trade remains a weak link in the Georgian economy. Compared to the first ten months of the previous year, the volume of foreign trade in 2015 decreased by 12.8 percent. Within the mentioned period, the reduction of export was especially tangible, by a quarter in total, including to the CIS member states by 44 percent.<sup>12</sup> The unfavorable economic situation, which has been established in the post-Soviet space, will have a negative impact on some parts of the socio-economic development of Georgia in several years to come as well.

Money transfers from migrants is one of the most important sources of income for a part of population and replenishment of foreign currency reserves of Georgia. The remittances steadily grew up during the entire period of independence up to 2013, when it reached 1,5 billion USD. However, some slump has been registered in the recent two years. In the first ten months of 2015, money transfers decreased by 30 and 25 percent, compared to the same periods of 2013 and 2014, respectively. First of all, it is caused by deterioration of the economic situation in Russia, the main 'supplier' of remittances for Georgia, as well as in Greece and Ukraine. In 2014-2015, Russia's share in the total amount of remittances has decreased from 54 to 40 percent. At the same time, the share of remittances from the US and Italy has increased.<sup>13</sup> The role of the US and the EU in this sphere will be growing in the future as well, although the amount of money, flowing from these states to Georgia will not be so significant as from the CIS member states and, particularly, Russia.

The losses in money transfers to some extent have been compensated by the increasing income from tourism. In the first three quarters of 2015, income from tourism reached 1,5 billion USD, which is 100 million USD more than in the comparable period of 2014.<sup>14</sup> In 2016, Georgia expects a serious growth in the inflow of tourists, especially from Russia (due to the limitation of tourist trips of Russians to Turkey) and Iran (because of re-establishment of a visa-free regime between two countries).

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<sup>12</sup>Estimations are based on the data provided by the Georgian National Service of Statistics.

<sup>13</sup>Estimations are based on the data of the National Bank of Georgia. Available at: [www.nbg.gov.ge/index.php?m=306#sagareoseqtori](http://www.nbg.gov.ge/index.php?m=306#sagareoseqtori)

<sup>14</sup>Economic prognosis for 2016 (in Georgian). Available at: <http://www.bpn.ge/ekonomika/18565-ekonomikuri-prognozi-2016-tslishtvis.html?lang=ka-GE>

According to preliminary estimations, the economic growth in Georgia was 2.8 percent in 2015, the lowest rate since 2009.<sup>15</sup> In the beginning of 2015, the Government's prognosis was promising (5 percent), but the complicated economic situation in the region (including Russia) negatively influenced the GDP growth of the country. The economic difficulties had an immediate impact on the welfare of the population. Devaluation of the national currency – *Lari*,<sup>16</sup> led to a rapid growth of prices for essential goods. Experts expect that the year of 2016 will be a difficult period for the Georgian economy.

Results of the poll, which was held in the end of 2015 by the order of the National Democratic Institute (NDI), USA, also prove that social and economic problems are available in the country: 45 percent of respondents think that Georgia develops in the wrong direction and only 18 percent are of the opposite opinion; the most acute problems, according to respondents, are the low-level employment (jobs) (57 percent), poverty (29 percent), violated territorial integrity of the country (29 percent), and low pensions (27 percent).<sup>17</sup>

Despite some progress in democratization and human rights protection, there are unsolved problems as well. According to the *Press Freedom Index*,<sup>18</sup> Georgia was the 69<sup>th</sup> country in the world, leaving behind all CIS member states. Although a significant progress was registered in this sphere (two years ago Georgia was ranked 100<sup>th</sup> in the relevant rating), the degree of mass media freedom in the country is far from good: Georgia is still under the category of "significant problems."<sup>19</sup> The problems of Georgian mass media are first of all referred to the events, related to "Rustavi-2" TV company. It is one of the most popular TV companies in Georgia, although it has

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<sup>15</sup>According to preliminary estimation, the GDP growth in Georgia in 2015, was 2.8%. Available at: <http://bizzone.info/government/2016/1454104812.php>

<sup>16</sup>It is necessary to note that the Georgian *Lari* has been devaluated less than national currencies of neighboring countries. In the last two months of 2014 and the whole 2015, *Lari* has fallen by 27% to a one US Dollar.

<sup>17</sup>The results of this survey, held by the Caucasus Research Resources Center, reflect data collected from November 17 to December 7, 2015, through face-to-face interviews with a nationwide representative sample of Georgian speakers that included 1881 completed interviews. The average margin of error is +/- 1.8%. *NDI Poll: Most Georgians Continue to Support NATO and EU Membership; Majority Remains Politically Undecided*. Available at: <https://www.ndi.org/NDI-Poll-Georgia-Press-Release>

<sup>18</sup>The index is made by an international NGO Reporters Without Borders.

<sup>19</sup>*World Press Freedom Index 2015*. Available at: <https://index.rsrf.org/#/>

always been sympathetic to the activity of the United National Movement (UNM), and in particular, to former President Mikheil Saakashvili. The current authorities had a strong negative attitude to this company. The owners of "Rustavi-2" have been changed several times, and as early as in 2004 such a change took place through quite dubious dealings. 10 years later one of its former owners, Kibar Khalvashi, initiated a legal action, demanding 500,000 USD for compensation of the author's rights and return of the real estate of the TV company. The court satisfied Khalvashi's demand and arrested the property of the TV company until the end of investigation.

The second scandal occurred in relation to another popular "Maestro" TV company. In this case the struggle was among the co-owners; as a result, Levan Gachehiladze, formerly a well-known politician, was appointed a new general manager of this TV company. This decision was appealed by one of co-owners and the staff of this TV company. The opposition blamed the authorities for interference into the "Maestro" internal affairs, owing to the fact that Gachehiladze is considered as their protégé. Foreign politicians and experts treated these cases as encroachment upon the freedom of speech and mass media, and bitterly criticized the Georgian government.

The events, related to "Rustavi-2" and "Maestro" show that authorities of the country, wishing to integrate into European structures, should be more sensitive in their attitude to the institutes of civil society, especially mass media. Probably that is why the authoritative NGO Freedom House included Georgia into that category of countries evaluated, in reference to the state of political and civil liberties, as "partly free."<sup>20</sup>

Such circumstances in the social and economic development was not in favor of the ruling coalition. Naturally, it tried to improve the situation. In the countries with a weak economy and democracy, instead of improving the well-being of population, a government tackles such a problem by reshuffling officials. In this context, a sudden resignation of Prime Minister Irakly Garibashvili in the end of 2015, seems significant. A young Prime Minister, who headed the cabinet since 2013, enjoyed a strong support of the Georgian Dream coalition, being a protégé of Bidzina Ivanishvili, informal leader of the coalition. However, on the other hand, Garibashvili was famous with the lack of restraint and unjustified sharpness towards the opposition,

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<sup>20</sup>*Georgia. Freedom House.* Available at: <https://freedomhouse.org/report/freedom-world/2015/georgia>



press and even President of the country. As a result, the rating of his popularity was steadily falling down. Taking it into account, leaders of the GD coalition (apparently, with Bidzina Ivanishvili's participation) concluded that if Garibashvili remained in power, it would be difficult to achieve success in the elections. Minister of Foreign Affairs Giorgi Kvirikashvili became a new Prime Minister. This appointment may be considered as a result of the well-calculated political technology. The new head of government seems to be a well-balanced figure, who is open for cooperation and respected by the population and politicians. At the same time, compared with the previous prime minister, he is a much more independent actor, which can be in contradiction with interests of both – the coalition and Bidzina Ivanishvili.

The foreign policy issues will be of a special interest in the forthcoming election campaign. It is necessary to note that the GD's foreign policy is very cautious (sometimes, too cautious). However, such an approach brings good results. The Georgian foreign policy has become more balanced and diversified. On the one hand, the authorities manage to preserve peace while Russian military bases are on the occupied territories, and develop economic relations with the northern neighbor; and on the other hand, now Georgia has much more multi-vector foreign economic relations. Priority of the Georgian foreign policy is still integration into European and Euro-Atlantic structures. If in the case of relations with NATO it is just limited with the opening of the Training Center,<sup>21</sup> contacts with the European Union become all the more stronger.

On December 18, 2015, the European Commission published a report on implementation of the Action plan on visa liberalization with Georgia and proposed the EU members to introduce a visa-free regime with it. Georgian citizens, having biometric passports, will be enabled to pay multiple visits to the Schengen zone without a visa, and they will be permitted to stay up to 90 days every half-a-year. The visa-free travel regime will be available with all EU member states, except Great Britain and Ireland. Liberalization of the visa regime is expected to enter into force since the mid-2016.<sup>22</sup> It is possible to state that it has

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<sup>21</sup>*NATO Secretary General praises Georgia's contributions to Euro-Atlantic security, inaugurates new Training Centre.* Available at: [http://www.nato.int/cps/en/natohq/news\\_122182.htm](http://www.nato.int/cps/en/natohq/news_122182.htm)

<sup>22</sup>*European Commission Backs Visa-Free for Georgia.* Available at: <http://www.civil.ge/eng/article.php?id=28866>

become the main milestone in the political life of Georgia in the recent period.

Georgian authorities announced that the privilege of the visa-free regime with the European Union will be also granted to residents of Abkhazia and South Ossetia if they have Georgian passports. It is difficult to predict how far this process will go, but the authorities in Sukhumi and Tskhinvali understand that the number of people, wishing to get a Georgian passport for a free entrance to the EU will not be small at all.

The fear of Georgia's increasingly fast drift toward Europe forced Russia to react adequately. President Vladimir Putin made a statement during his final press-conference of 2015, mentioning that Russia is ready for restoration of diplomatic relations with Georgia and lifting a visa regime with it. In this context it is necessary to consider the fact that Russia eased the requirements to get visas for Georgian citizens on December 23, 2015.<sup>23</sup>

Georgia preserves and develops its close relations with Turkey, Azerbaijan, Ukraine, Kazakhstan, Turkmenistan, and Armenia. In the recent period, Georgia has started strengthening its economic ties with China as well. Governments of the two states are working closely on signing a free trade agreement. Georgia has a free trade regime with the European Union, Turkey, and CIS member states. Georgian authorities hope that an agreement with China will turn their country into a "natural connecting link" between Europe and Asia.<sup>24</sup> The first transit train from China reached Georgia via Kazakhstan and Azerbaijan at the end of 2015. Goods were destined for Turkey.<sup>25</sup> China is ready to make huge efforts and investments into resumption of the "Silk Road." Georgia expressed its readiness for active participation in the "One belt – One road" project.

Lifting sanctions from Iran allows to raise the Georgian-Iranian relations to a new level, all the more if this Middle Eastern state enters the competition with Russia in the energy market of the region. Georgia has already restored the visa-free regime with Iran. Direct flights between two states will be established soon. It is difficult to

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<sup>23</sup>*Russian Foreign Ministry facilitates the conditions for getting visas by Georgian citizens* (in Russian) Available at: <http://4vlada.net/v-mire/mid-rf-uproshchaet-usloviya-polucheniya-vizy-dlya-grazhdan-gruzii>

<sup>24</sup>*Georgia, China Agree to Start Free Trade Talks*. Available at: <http://www.civil.ge/eng/article.php?id=28845>

<sup>25</sup>*Georgia Welcomes 'Silk Railway' Cargo Train from China to Turkey*. Available at: <http://www.civil.ge/eng/article.php?id=28852>



judge all plans of Iran, but in general it is obvious that a traditionally strong actor comes back on the economic and, possibly, political arena of the South Caucasus.

Georgian society, in general, supports the main vector of the foreign policy of the government, which can be seen from the results of the already mentioned NDI survey. Georgia's membership in NATO is supported by 69 percent respondents, meanwhile 21 percent of respondents are against it. It is worth mentioning that the number of supporters of integration into the North Atlantic Alliance by Georgia grew up from April to November, 2015, by 4 percent. Respondents also made their choice between the European Union and the Eurasian Union: 58 percent supported Georgia's membership in the EU and 24 percent were in favor of the Eurasian Economic Union (in April, 2015, it was 47 percent and 28 percent, respectively).<sup>26</sup>

Above we have tried to describe the main outlines of the Georgian domestic and foreign policy now to discuss the main question: how are the *Georgian Dream* coalition chances for success in the forthcoming parliamentary elections, or in other words, will the ruling coalition be able to keep power in its hands for the next four years? In some other case, taking into account quite a difficult social and economic situation in the country, the answer would be negative. However, we are dealing with a post-Soviet society that has been leaving in complicated economic conditions for already 25 years. To vote against the ruling coalition, Georgian electorate has to see an influential alternative force (the case of elections in 2012). At present, there is no such an alternative at all. The most serious rival of the ruling coalition is the UNM, but it is perceived by a vast majority of the population as an unwanted phantom of the past. Will the GD win the landslide victory that would enable to form the government of the country all alone? It is much more difficult to answer this question, than the previous one, because it consists of numerous components. It is impossible so far to predict the configuration of participants in the elections, the voter turnout, possibility of the hidden intervention from outside, etc. There was a lack of "political center" in the Georgian political life under the UNM,<sup>27</sup> but it has started to gradually revive

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<sup>26</sup>NDI Poll: *Most Georgians Continue to Support NATO and EU Membership; Majority Remains Politically Undecided*. Available at: <https://www.ndi.org/NDI-Poll-Georgia-Press-Release>

<sup>27</sup>Giorgi Gogsadze, *Georgia: Some Features of Internal and International Political Developments*. In: Euro-Atlantic partnership and South Caucasus.

since 2012. Therefore it is possible to suppose that a serious struggle will unfold for the votes of "moderate electors," i.e. for those, who will not vote either for the GD, or the UNM. The NDI poll shows that if the parliamentary elections took place in the fall of 2015, a political organization "Our Georgia – Free Democrats," headed by former Defense Minister Irakly Alasania, would overcome the "electoral barrier" along with the GD and UNM.<sup>28</sup> This strongly pro-Western party broke away from the ruling coalition in 2014. Some other parties, especially the "United Georgia" (led by Nino Burjanadze) and "Alliance of Patriots of Georgia" (led by David Tarkhan-Mouravi) also should not be written-off. In the election campaign Nino Burjanadze and her party may be supported by NGOs, supposedly funded from Moscow: numerous NGOs of that kind have emerged in Georgia in the recent time. As for the young political force "Alliance of Patriots of Georgia," it can be singled out as "standing on the national platform,"<sup>29</sup> which means it does not have either pro-Western or pro-Russian orientation.

In the recent two years some alarming events have taken place in Europe, the Middle East and other regions. An explosive geopolitical situation (including an intensifying geo-economic struggle) is shaping up around the South Caucasus, and it has a direct impact on our region. Taking it into consideration, we are confident that keeping and strengthening peace in the region should be the most important task of future Georgian authorities.

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Gayane Novikova, (Ed.). Yerevan: Spectrum Center for Strategic Analysis, 2014, p. 49.

<sup>28</sup>In Georgia, a 5% threshold is set up in the parliamentary elections for a proportional system.

<sup>29</sup>After the success in elections, the Alliance of Patriots continues bitterly criticizing the UNM. Available at: <http://www.civil.ge/rus/article.php?id=26145>