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FROM POPULAR REVOLUTIONS TO EFFECTIVE REFORMS: THE GEORGIAN EXPERIENCE

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P R O C E E D I N G S

MR. INDYK: I'm Martin Indyk, the Vice President and Director of the Foreign Policy Program. Our President, Strobe Talbott, unfortunately is in Seattle, Washington, instead of Washington, D.C., today. He's very sorry that he isn't here to welcome President Saakashvili. He instead sent his father and brother to honor the President because, as the President can attest, Strobe and he are good friends for many years, and he sends his apologies and his welcome to you.

President Mikheil Saakashvili, known to his friends as Misha, is somewhat of a folk hero, educated first in VLSI and then in Columbia University in New York where he was admitted to the New York Bar. He went back to his country, Georgia, took up the cause of human rights, entered Parliament in 1995, was appointed Minister of Justice in October of 2000, and much of the rest is history. In 2003 he played a catalytic role in what became known as the Rose Revolution. And subsequent to that popular revolution, which brought democracy to Georgia, he was elected in 2004 as the President of Georgia at 37 years of age. Since then he's been reelected in 2008 as President of Georgia.

One thinks back on those events of 2003 in Georgia when watching the dramatic events unfolding today and sweeping across the Middle East from Egypt across to the Gulf. As Georgia has found and President Saakashvili really can attest, the democratic transition is not an easy one. Moving from popular revolution to effective governance that produces a modern democratic state is a complicated process.

And so at this time when the winds of change are blowing across another part of the world, we're delighted to have an opportunity to hear from one who led the Georgian revolution to discuss how Georgia has tackled these kinds of challenges. And Mr. President, we're very glad to have you here. Just before I call you up, I should say Fiona Hill, Director of our Center for U.S. and Europe, will be moderating the discussion afterwards.

Ladies and gentlemen, please welcome President Saakashvili.

PRESIDENT SAAKASHVILI: Thank you, Mr. Vice President. I'm delighted by the honor of speaking here again in the Brookings, which under our friend, Strobe Talbott, has been such a major player in town, but also a very good friend and adviser to us in Georgia. Allow me also -- I owe a thank you to Martin Indyk for this introduction and looking forward to Fiona Hill organizing the discussion and moderating the Q&A session. Engaging with the audience at Brookings is always a pleasure and an intellectual challenge, and I'm looking forward to debating with you.

To set the backdrop of our discussion, I wanted to share a few thoughts about the extraordinary developments in North Africa and the Middle East in the perspective of our own experience back in Georgia. Ladies and gentlemen, great events in history almost always take players by surprise. They come as a surprise to their hosts, but also a surprise to their protagonists very often. And those who observe these events from afar really understand the scope of what is transpiring. Such eruptions to the world politics require from all of us a capacity of radical astonishment that Aristotle was putting at the beginning of philosophy and an ability to abandon usual schemes.

Nobody predicted or planned the revolution that swept across Eastern and Central Europe in 1989, or a bit further on the East the kind of revolutions that came a few years, 15 years later. Now again, as the wave of popular up rise has taken hold in the Middle East, politicians, analysts, and editorial writers all have been utterly surprised. The Tunisian and the Egyptian revolutions is part among all of us essential gape and wonder, and we still look at them without a clear understanding of what really happened and now most of all, what will follow.

Revolutions have this amazing ability not only to transform the countries in which they take place, but also they force us all to rethink and reshape our region of the world. I didn't come here, of course, with ready answers to the questions raised by these events. I do not have these answers. I don't think anybody really has them. I came here to explore these questions with you and to share some of the lessons I have learned from Georgia's own revolution and transformation, and let's begin the debate. I'm very much braced for a lively, interactive debate.

What is the experience of Georgia that can be relevant to our understanding of the Arab spring? What can be comparable between a Muslim Mosque in a country of 80+ million people and a predominantly Christian country of less than 5 million people? And what can we glean from the successes and failures of current revolutions that will allow us to craft a smarter, more effective approach to North Africa and the Middle East?

As most of you know, 7 years ago -- less than 7 years ago actually -- the revolution, the Rose Revolution in Georgia happened 6 years and 3

months ago, Georgia was a classical failed state. And bureaucracy was killing any initiative in the society. There was crippling poverty, serious inadequate infrastructure, and an economy shackled by corruption. As you know, the peaceful, popular revolution brought to power a young team of reformers that I happen to lead. The situation back in Georgia was so catastrophic that we had to build our state almost from scratch; yet in many ways, this was rather a blessing than a curse. We knew that half steps and overly cautious measures would be a mere drop in the ocean, an ocean in which Georgia was sinking quickly. We offered a consequence for a radical course that would transform our old nation by the young, independent state into a regional laboratory for reforms.

And who were we at the time? Nothing more than a group of young men and women from student organizations, opposition parties, and civil society groups. From one day to the next, we were in charge of a fragile country in a hostile, geopolitical environment with an increasing revisionist Russian Federation at our door and inside Georgia by the way as well. Slogans, roses, flags, and policy papers that were used as opposition in civil society leaders would no longer suffice. What could we do? Were we just going to replace the old generation with a new one, basically do the same things over and over again? Or were we going to stay true to our dreams and to the dreams of all our people who bravely came into the streets to overthrow the previous regime? We took the risk of launching a quick, radical, and comprehensive reform process. What we lacked in experience, we made up for it in spades in conviction and a willingness to vigorously entertain new ideas. We're not constrained by dogma or dead weight of bureaucracies and powerful interest groups.

Of course, we did not succeed in everything. We had significant shortcomings and we made quite some mistakes. But as the father of European cosmopolitanism, Immanuel Kant said 200 years ago, “You cannot actually be free until you are” -- “You cannot be read to be free until you actually are free.” What Kant meant is that there is no book to teach you in advance how to operate within freedom, that you can learn it from your own successes and from your own failures, from trying to govern and behave in a free environment. He also meant that the pursuit of freedom brings uncertainty and risk, but that such risk should exist if you want to be an actor in your life and in your nation’s destiny. Kant was certainly right.

In Georgia we found no handbooks to guide us, and there will be no operating manual for our Arab friends as well. But there were experiences, successes, and failures that we could study and that we did study before becoming and turn to case study as well.

Today regional policy and opinion makers, including Russians, -- as surprising as that might sound -- come to Georgia in search of the ideas of new ways to address old problems. Most people who visit Georgia for the first time are surprised by the age of our ministers and senior government officials, where in fact the Russian nation is run by people in their late 20s, early 30s, and that the core of young parliamentarians in mid 20s. This is about the result and the main driver of what economists recently characterized as Georgia’s mental revolution. Georgians have stopped thinking of their country as a post-Soviet state. This is the first country of the former Soviet state that stopped being a post-Soviet state.

This mental revolution goes far beyond the leaders and parties that lead the Rose Revolution far beyond their leadership. It is something that nobody owns, nobody can suppress, neither us, or certainly not anybody else. I'm speaking here about a change of paradoxes again, again -- I want to underline it about the mental revolution.

Our first comprehensive reform was the complete transformation of our law enforcement bodies. We started by firing our entire traffic police force and then basically almost all existing policemen, later almost all existing customs officials, tax officials. Georgians lived for 3 months without traffic police. And amazingly during this rare period when we had no traffic police and we had only one-tenth of the criminal police left, the crime rate went down. Why? Not only because police were responsible for most of the crimes, but also because people felt that they were part of a common adventure, that they had a stake, that they were living in this very specific moment of our nation's history. When everything seems possible, fine values become the basis of politics when you have the feeling of inventing your own future.

Keeping this feeling alive is a difficult but essential task. For the leader of a country in post-revolution transformation, institutions are still not strong enough to resist a wave of disappointment seen in the public. We knew that we needed and still need more than just a passive participation from the people. We still need them to be an active part of the transition process, and here is the key. There is nothing in a smart leadership, democratically minded, very well educated, knowing what they want, there is no way they can make a change if the public is not part of it. And thanks to this radical change in our

post-police and in all our other bureaucratic structures. In fact, there is a widespread feeling among people that they own the transformations. We have made great progress on transparency in national corruption since we are freer than any other nation in the world, and I still think that transparency is always downgraded in this very way –- the way we have it looks different from Berlin where they are stationed. We have built a highly favorable investment climate based on three key principles, minimum regulation, low taxes and I just mentioned strong anticorruption enforcement. Georgia is a small nation, remote from commercial centers and financial capitals, located what is mildly described as a shaky geopolitical environment. Our only chance of attractors was to become heaven where now ranked as the easiest places in the world to do business, and according to the World Bank no other country has progressed since this ratings have been documented in the world as Georgia did. Actually, we are the easiest place in Eastern and Central Europe to do business. Before the invasion of 2008 and the world crisis, we had consistent double-digit growth and a testament to the depth and soundness of our economic reform despite a contraction in 2009, the FDI-driven economy and the FDI-driven economy for its double nightmare world crisis and real full-fledged war with a nuclear superpower and we still had only a 3.8 contraction in 2009 and we were back with 6.7 percent growth last year and in this year in January and February we have growth that is around 9 percent. There is still a lot to be done obviously and we are more committed than ever do pursuing our path to reforms to keep building a democracy at gunpoint. Constructing sustainable civil institutions, building an

effect education system and nurturing a competent citizenry is a challenge that takes more than 7 years.

As you know, two Georgia regions, around 20 percent of our territory and two-thirds of our seacoast, the most beautiful part of Georgia, is under foreign occupation. There has been extensive coverage of this fact since 2008. We have in a country with less than 5 million people, 500,000 internally displaced persons. There were once three regions of Georgia that were artificially separated from the rest of the nation. One of them was peacefully liberated today and while South Ossetia and Abkhazia are isolated from the world, Adjara for the region has become the centerpiece of the new Georgian economy, the new Singapore to buy with democracy of the world. Over the last several years, Adjara's capital, the seaside port of Batumi, has received 4 billion in private investments for a population of less than 200,000. They have more five-star brand hotels with the names of Hyatt and Sheraton, Ritz-Carlton, Campisi's, you just name them. They have more of them than the city of Moscow.

I'm sure that all regions in Georgia including the currently occupied ones will some day benefit from such -- development. People in our region might have believed for a long time that their only choice was between a Yeltsin type of chaos, albeit democratic but still chaos, a Yeltsin type of authoritarian stability. Georgia, ladies and gentlemen, has shown that another path was possible. It has created another model for this region. I certainly do not pretend that our model is perfect. By the way, I am not a big watcher and neither is our population fortunately of Russian television, but we have these two

strengths with Russia. We have the official media that describes as Georgia as an absolute evil, the main threat to the existence to the great nation of Russia. Those people who believe Russian propaganda believe that there are 60 to 70 million Georgians around, they are all around and they dominate all the aspects of life and they remain a menace that the nation of Russia faces. And there is much smaller but a more and more active and vocal local Russian opposition media that describes Georgia in the terms that is very much reminiscent of what we thought in my childhood of the American Ronald Reagan. The absolute ideal. Paradise on Earth. No criticism was accepted. I would smash the face of anybody in my yard when I would go down as a school child who would ever criticize America, and we are hearing this about Georgia now. If you are a Georgian average guy and you watch Russian television, they watch it by the way less and less, but whatever -- of course you are pissed off by this bad depiction of your country but certainly you are also equally irritated by the fact that they describe it as paradise on Earth because we live in our country and we know that it's very far from ideal.

But that tells you the story that basically of course these are two extremes, but Georgia is much bigger than a country, but a country that is 30 percent occupied which not easily catches the eye if you are looking from Washington. It's much bigger than the country for the region. You had the day other day Roza Otunbayeva who is the President of Kyrgyzstan speaking at the Carnegie Foundation and basically at length speaking that she is learning from Georgian reforms. We have a new profession now at our ministries, ministerial tourist guides, that is to say, a minister from Ukraine, Moldova, Kyrgyzstan,

Armenia, Russia, not ministers but quite some important people, coming and learning from our reforms and we trained our officials to teach them they are saying it openly that they are learning from the Georgian experience as well as we are learning from the great nation of Estonia which is five times smaller than Georgia but very interesting to learn from. We just had our group of ministers sent to Singapore to see their pension models. We are not willing to outlaw chewing gum and certainly our stability to put it more seriously is based on popular consent. We are in the 21st century, no big wonder, but still there are interesting things to pick up from there as well.

Certainly as I said I do not pretend that this model is perfect and we still have a long way to go before achieving our objectives. And if people are coming, not that this model is necessarily transferable to other countries, but I would like to believe that this kind of transformation reveals some universal truths and I will finish with them as I see them. Revolutions have shown us that the universal strife for freedom of people across the globe is the true matter of history and that the only realistic policy on the long-term is a policy that supports that strife, that promotes its values that American -- is better than any other country in the world.

I would like to end here by referring to the great figure of American history, my very good friend Richard Holbrooke, perhaps the best friend I've had in this town. Dick was as pragmatic as one can get and at the same time the incarnation of an idealist. He was a true believer and a great diplomat. Recent events validate his vision of the world, his vision that he shared so many times with me that is now so much needed, a profound love for freedom and an

absolute awareness of the risk it implies. Realpolitik guys think they are smart, they get it, they clean politics from all this idealist crap and then they will get the point and the main impediment to a country being successful is like getting rid of idealists without understanding where the -- of American power lies. Being a realpolitik you cannot outsmart other big powers, nor America's economic leverage, neither its just military power would not be enough to have America -- unless we understand that it's only 20 percent of America's power and that 80 percent is based on the perception of ideals, a perception that there is somebody out there in this pretty small of town of Washington that shares the same ideals and values. I think Richard Holbrooke understood this and nobody else. I think that profound love for freedom and an absolutely awareness of the risk it implies is -- policy, that is to say, idealists without naïveté. Thank you so much and I'm open for questions and debate.

MS. HILL: Thank you very much, President Saakashvili. Before we begin with the discussion I'd like to make an apology to everyone who is here, that unfortunately we couldn't get a larger room for such a wonderful event as today. As you can see, Mr. President, we have standing room only and many of the people who are standing at the back are some of our most distinguished participants at Brookings' events. We also in fact have another room where they can see but unfortunately we cannot see them and I can't bring them into the discussion where another larger group of people there. So I think you can really see here the resonance of the topic that you have brought to us today.

We have a number of people representing the U.S. government here in the audience and I want to make sure that I can call on as many people

as possible. We have until I believe about 3:15 when you have to go and if there is any need to end a little earlier, I will look to your ambassador who I would also like to acknowledge here. Temuri Yakobashvili for many people in the room, you will know him from in fact academia in the think-tank world. Temuri Yakobashvili like President Saakashvili has a long and distinguished history here in the United States and was a Yale Fellow where he met Strobe Talbott and of course also been very much a member of the think-tank community before his government service and we are very pleased to welcome him here too as well as all the other members of your delegation who many of us know personally.

There are a couple of questions I want to put to you just to put this again in the context of the Middle East before we turn to all of our colleagues here. You touched upon a lot of very important issues when people are looking at Egypt and of course this is a real topic of conversation here at Brookings and elsewhere in this town right now. One of the big debates about the Middle East is how to move from revolutionary to evolutionary policy once the initial phases are over and that's obviously something that you've given considerable thought to. As you mentioned, it's only been 7 years and it's difficult to make that transition in that time and I wonder if you might share some perspectives on that.

The other issue is you stressed rightly so the youth of the Georgian government and in fact the revolutions in the Middle East are made by the youth. This is not a revolution even of people in their forties. This is very much the people in their twenties and early thirties. Then there is a great debate now in Egypt and elsewhere about youth over experience as one moves into the government, people like Amr Mussa, ElBaradei and others who are potentially

running for president in Egypt and other questions about whether a more youthful new generation can come to the fore.

Finally, the other really big question in the Middle East context is the one that you stressed at the very end and one of the reasons I believe that you're here right now in Washington which is the issue of jobs and investment which are tied together. You've been here for various meetings on the Georgian economy, you've talked about the level of investment that you've managed to secure in Adjara and elsewhere in Georgia, but creating jobs is perhaps one of the biggest secrets to success for the future as you know only too well and is going to be a really big dilemma for the Middle East. I wonder if you could touch on those issues and then we'll bring in the rest of our colleagues.

PRESIDENT SAAKASHVILI: What happened in Georgia, that is something remarkable, the reason why I also said that in way it's the first post-Soviet society because this is only former Soviet Republic, with all due respect to our friends in the Baltic countries, that where the oldest members of my government, me and our ambassador here, and actually because we still remember the Soviet Union in -- there was a young Jewish activist who was jailed last time in the late '80s for staging a demonstration against Syrian embassy, Moscow. I was investigated by KGB when I was first-year student at Kiev University for anti-Soviet activities, but we remember it -- although I was first-year student when (inaudible) integrated, so we never -- I never got the experience of working under Soviets.

But we have ministers in our twenties that don't even remember how Soviet Union looked. They never wore pioneer ties. And that's the key to change, actually, because in many ways Biblical myth of Moses is a real one. I

mean, actually, you need the whole change of generation to move away from that old system, and that's why I think the best asset we have in our government at every level are young people, and that creates friction. That creates friction between generations and, you know, my grandmother is still around and she's not happy or my parents, that, you know, there is this thing that, you know, young people have taken over everything. But that's actually, I think, the only -- it's happened naturally. It happened naturally because there is this new ideology in place which, I mean, way of life, it's not even an ideology, that you need to be, you know, (inaudible), you need to be young.

And I think from that point of view Middle East has much bigger asset, but the biggest challenge with revolutions is that you get people in the state who feel empowered and they think that they can do just anything and they can claim just anything. So it's always nice to watch when, you know, just newly appointed prime minister goes out to the crowds and tell them, if you are not pleased I will, you know, resign again. You know, that's how it is. But in (inaudible) when it goes to real governance, it moves away from waving flags and from, you know, we had a revolution that looked like a rock concert, then you go to everyday job. And we know that reformists are always competition against time. Window of opportunity for reform is limited. It can be shut down very fast. And it's always competition against determining expectations.

I mean, you have amazing -- I mean, people in Egypt, like people in Georgia, we had President Shevardnadze ruled Georgia for 30 years as the Communist party head and then as president. And everybody thought he was eternal. So, people, because they thought he was so eternal, they thought they

could depose him and they could do just anything. But, you know, then it goes to hard job of governing and that gets very hard. And it's -- I think, on the one hand, it's sure that we were in easier situation because we had all the experienced group of reformers that also had current experience. Egyptians are getting to elections way too soon. I have heard many skeptical voices also in this town saying it's too soon for elections.

But on the other hand, you cannot have big gap because people need to see the results, people need to see the real transformation because the biggest challenge revolution gives is impatience of the people in the street with changes. And then remember when we took over the treasury was empty, but we faced this amazing -- first of all, amazing love of the people because they put in us every dream they have, they thought we were their incarnation of those dreams, and that's very dangerous. And -- but then I thought to myself, if we could raise our tax collection by 40 percent -- by 30 percent, actually, within a year, then I will think we made it. We doubled tax collection first year and overall who think that we decreased tax by 65 percent. We increased tax collection by about -- overall 30 times over the last few -- several years. But of course it's never enough, but you should always move. As I mentioned, we fired the entire police force, we basically changed 95 percent plus of bureaucracy over the years.

And you (inaudible) that, you know, it's going to hurt you because as far as I understand, in Egypt, for instance, there are also entrenched interest, also for the army, and if you are willing to compromise with entrenched interests, that's a -- you are in trouble. You need to go in, you know, like understand that

it's like clean slate and you are starting from scratch and there are no special interests, you're not obliged to anybody, you are building from scratch.

And obviously, you know, once you don't exile your opponents to concentration camps, they will be around for a while and they will be always willing to hit back at you at every mistake you make, and you should be prepared for that as well. And you should -- you know, most of the people we fired live in downtown capitol in Georgia, many of them still carry strong grudge against us. And every time there is a rally there is easy recruits for people, but they just don't have to walk from their houses to get to Main Street for, you know, hate rally or just protest rally, because we destroyed their livelihoods.

But I can tell you, the good news is that Egypt is much bigger country than Georgia and I think reforms are much easier to implement in bigger countries than small one because, you know, look where we were in Georgia. Georgia had elite that was elite not only of this small country but it was elite as (inaudible) the Caucasus. That is to say, the place that has like up to 20 million people, but it was as much of a lead of an elite of -- well, very much part of the elite of former Russian empire in 200 years, and before that Persian Empire, Ottoman Empire. They were very classy in that respect when they were under different empires. And suddenly they found themselves in this small country. They were -- you know, they thought that they had all these entitlements.

Now, if you're -- and then if you go against special interests as we did, then you harm your neighbor, your cousin, your previous, you know, supporter, whatever. If you are in a country of 80 million, it's easier. You don't have to -- you know, you don't meet everyday people whose interest you harms.

You might avoid to do that. So, if you really go for it, once you start the mechanics, it's easier because there are lots of alternatives to look for. And from that point of view, bigger reforms are much more possible in Egypt than they ever were in Georgia. I mean, they have other handicaps, obviously, we are all aware of them, but I mean they can make it.

MS. HILL: Thank you. That's very insightful. There's a number of questions here. I'll take maybe two or three from the front and then I will move to the back. My eyesight is just about good enough to see everyone back there.

So, another one in the third row here and there was someone over here. Yes, Steve Sestanovich. And please introduce yourselves too.

MR. SITOV: Sure. Thank you. Thanks for doing this. And my name is Andrei Sitov. I am a Russian reporter in Washington, D.C.

I'm sorry, but I'll ask a reporter's question. Can you talk about your current visit to the U.S.? What you wanted to achieve, what you have achieved, what you talked about with Strauss-Kahn today? And are you meeting President Obama or Vice-President Biden? If not, why not? Thank you.

MS. HILL: Let me take another question behind, Tom Duvall, and then Steve Sestanovich, who is sitting here.

MR. DUVALL: Yes, hello. I'm Tom Duvall from the Carnegie Endowment. Mr. President, I want to ask you about how sustainable your economic model is. There are many successes in the Georgian economy but you're in a difficult patch at the moment. You yourself have said unemployment is 30 percent in Tbilisi and inflation is very high. FDI was down last year. So, how -- what is your long-term economic model particularly to create jobs and to

attract more FDI? And in particular you've had some -- given some mixed messages about European Union, how close you want to get to Brussels. You talk about Singapore and you also talk about the Euro. Can you tell us about that?

MS. HILL: Thank you; and a question over here from Steve Sestanovich.

MR. SESTANOVICH: I'm Steve Sestanovich from Columbia University and the Council on Foreign Relations. Mr. President, I'm wondering whether you could give some advice, not just to Middle Eastern countries but to the United States in thinking about how to use its influence. A lot of people here are wondering how public the United States should be in pushing for greater reform for a faster revolutionary pace. Can you, from your own experience, perhaps, talk a little bit about whether it's most useful the United States to be a public critic, to push harder, even to challenge people who have been its friends? Or is it better to work behind the scenes? How can the United States help to move these revolutions forward?

PRESIDENT SAAKASHVILI: Thank you. Maybe I could -- first of all, I met President Obama twice for the last couple of months starting from Lisbon summit in December and then again in January here in Washington. So this time I have a much more relaxed trip and much more fun in terms that, you know, I -- we signed -- I mean, Georgian company signed a deal with Donald Trump that (inaudible) raising $350 million for real estate deal in our seacoast town. I just met a couple of days ago for another, the world's biggest share apartment to kind of -- owners that are developing three or four projects in

Georgia. Obviously I met with Strauss-Kahn and we are ending program with the IMF so actually we just want them to stay on standby, but they played a very useful role and I thank him for his leadership in previous years.

With regard to our economy, look, I think look at the macroeconomics. You know, Georgia's growth in January/February was around 9 percent. Our currency has been up-rising despite a trade deficit and that's telling me that Georgia is really becoming a hub. Companies coming from all directions. If you ask me from where they are coming, they are certainly not coming from U.S. or, you know, Japan or -- with all due respect to Japanese and for all the tragedy that happened there; I'm going today to Japanese embassy. They are coming from the region and they are -- and, you know, if you ask me what is investors, I don't know. There are lots of them. There are lots of people who have 1-, 2-, $3 million and they want to invest in Georgia. And that's an amazing thing because actually it's much better than, you know, the fact that we are ranked as world's number one reformer, number one fighter of corruption. These people know it from the word of the mouth, not from the -- our publicity pages, ads from *New York Times* or *FT*. And our economy is flooded. And the currency (inaudible). It's a sure a sign of -- and it's not so good for exports, but money's coming in.

I've been talking about Singapore and I'm not shy of it because actually we should contribute to Europe what we are best at. We are undeniably a European nation, actually, two biggest achievements of civilization come from Georgia tradition, this is medicine and wine. Medicine comes from Georgia and Queen of Medea, and you certainly need it once you drink -- after you drink lots

of wine and for a headache at least. And actually we are undeniably a European country and I think that eventually we will be a country that will -- not so far away -- candidate for European Union membership.

But when we are talking about (inaudible 0:13:26.6) we don't mean, as I said, that we are betting (inaudible) or we'll appoint parliament members, but we are looking at their pension funds very carefully. We are looking at the way how they stimulate investment in different fields of economy through some kind of incentives that the government gives and through liberal economics (phonetic). We are looking at them as being, you know, in a very hostile geopolitical environment. Remember, we are not bordering Norway and Sweden or Denmark like some of our Baltic friends. We are in a different environment and that's why we have to look at Singapore. But, as I said, our stability is based on popular consent rather than, you know, that we control everything and we are like -- we have another tradition and you cannot try to achieve your steady growth through neglect or not asking what your citizens think about it. But it's an interesting model and it's -- and that's what we are contributing to Europe. We are at the -- that's borderline of civilizations. That's why when we hear about lash of civilizations I never accept it because we have our limits of different civilizations in Georgia and they coexist very well. And that's why I think that this also should be integrated into (inaudible).

We cannot afford not to have liberal economics because that's our principal access. On the other hand, we cannot -- we are -- we should build a European democracy because it's a long-term guarantee for stability. And those two don't contradict each other or at least I think economic crises, they should

have taught Europe that lesson that those two don't contradict each other. That's the way I see it.

And with regard to the U.S., I think, look, everything America says counts. And, you know, there's lots of discussion of whether America should bomb this or other target or whether it should issue -- have a no-fly zone or something. This is up to the Americans to decide that. But what I know for sure is that at the time of trouble -- and, you know, we've not experienced any American military intrusions or, you know, whatever other moves, but what we've experienced at the time of trouble that every word pronounced here in Washington counts and every uncareful foreign word might harm and therein encouraging support might be very decisive. And, you know, I would say if you talk about America might, 20 percent of it is real hardcore power -- military power, economic -- 80 percent is the perception of America being special.

And I've heard, also, voices in Washington say, oh, that doesn't count, you know. This isn't -- but, you know, if you just compete in terms of just, you know, pure economic leverages or military, you might lose. But America's very special that it cares about faraway countries like Georgia of which some of the other people have heard very little, and Georgia or Tunisia or Libya or whatever, Kyrgyzstan. And that -- you know, and we are listening very carefully what every American opinion-maker has to make as a statement, has to think. And, you know, if I had been you -- which I'm not, obviously -- but I wouldn't have wanted to really get rid of that part of my leverage. And I think that's why it's essentially a very important -- you know, we certainly -- even if somebody sometimes American policymakers are just like -- sound like -- and it concerns,

you know, any politician. I'm not talking necessarily about government, but even somebody in the Congress or even a think tank would speak about the event as if they are just watching CNN and commenting on that, but that has lots of relevance for those faraway places.

And I think, you know, I've traveled extensively to the Middle East as a tourist before and as president recently. But even as president I go out to streets, I like to have tea at the street café. I like to go to shopping centers, just go around and interact with people. And one thing I had noticed before all these events is that people immediately recognized me. If I walk around in Tysons Corner in Washington, that wouldn't be the case; there they do. And they know everything about Georgian politics, as well as they know about Japanese politics, U.S. politics. Why? Because there is lack of local politics there.

And that reminds me very much of how we were in the Soviet Union. We were like -- when I was a nine-year-old kid I knew everything about Joshua Nkomo and Mugabe, about, you know, the conflict they had with each other. I knew everything about, you know, whatever, you know, like primary debates were at New Hampshire here in the U.S. or anything. I mean, because we didn't have any domestic politics because that's how we fed our fantasy because it's a human instinct to be interested in public life.

And so actually that's clearly telling me that those people there, they are ready for public life. And I don't believe they're anti-American. They have natural (inaudible), you know, of America, but, you know, it's really being shaped now. You know, their impressions of America will be shaped for the next 50 years of how America acts now. And this is a historic opening and chance for

this country.

And I understand clearly the fatigue with politics and I understand the fatigue because of the economic crisis. But, you know, ultimately, there is no way you can abstain from it anyway because it's there. It's not like somewhere else. It's part of what you are. And I think that from that point is where people do get it.

I mean, I had very limited interaction this time, but I met with Senate leadership yesterday. I had some interaction with think tankers, journalists, other opinion makers. And I think people get it because it's still ultimately that's the place to which people come for justice and for (inaudible).

You know, look, if you are an embattled country, like we are, aspiring (inaudible) embattled with all the issues out there fighting for its existence. You know, you care a lot if there is somebody else in the world who thinks you are on the right side. Not just you think that you are, but somebody else does, and especially if these people are in Washington, that has an absolutely magnifying effect for everybody. And please never give up this power to influence things in the good direction even for your kind word. It's an amazing power you've been blessed with. That's all I can say.

MS. HILL: Thank you. There were a couple of hands right at the very back that I'd like to take because everyone is standing there. If we could just collect three questions in back, please, and then we'll turn back to the president. Thank you.

MS. MUJAB: Hello. My name is Tatiana Mujab. I'm a master student at (inaudible) Johns Hopkins University. (Speaking in a foreign

language), Mikheil. Thank you for your very interesting speech.

It is crucial for a young democracy like Georgia to identify and sort of take advantage of its economic resources, and you yourself highlighted that. The strategic geological -- geopolitical position of Georgia is such that it can transport natural gas and oil from the Caspian Basin and from the Central Asian republics to Europe. How do you use that landscape changing in the future? And do you see any hydroelectric power or other alternative resources also entering into the picture in the future? Thank you.

MS. HILL: Thanks. And there was another question? Right here; this lady. Please introduce yourself.

SPEAKER: Melinda Harrington, Georgetown University. Mr. President, I'm sure that you know American history better than I do. American historians point to the peaceful transition between Washington and John Adams as a point of democratic consolidation. What are your thoughts on 2012? And can we expect to see you again soon?

MS. HILL: And another question right in the back, I think that was Ian Brzezinski I see from there.

MR. BRZEZINSKI: Yes. Ian Brzezinski. I'm a senior fellow at the Atlantic Council. Welcome to Washington, Mr. President, and thank you for your remarks.

Could I ask you to share your perceptions and understandings over what is happening in the Russian Caucasus to your north? I have the impression it's a region --

PRESIDENT SAAKASHVILI: What the Russians?

MS. HILL: Ian, could you repeat that? Did you say Russian policies toward Georgia?

MR. BRZEZINSKI: What is the -- how does he view the situation it the Russian Caucasus.

MS. HILL: Oh, in the Russian Caucasus.

MR. BRZEZINSKI: Dagestan, Ingushetia. One has the impression it's become increasingly violent, a collision between groups that are using terrorist means and increasingly brutal and repressive responses by the Kremlin. What are the implications of that region for the 2012 elections in Russia for democracy in Russia, for the 2014 Olympics in Sochi, and for you region's security? Is this an issue that should be raised by the United States and its European allies in a dialogue with Russia? Thank you.

PRESIDENT SAAKASHVILI: Well, yes, with regard to the first question on hydropower, actually Georgia has pretty amazing potential for the years to come to growth. Tourism, that is to say we had 2 million -- when I became president we had 124,000 tourists a year before that. Last year we had 2 million, this year we'll have 3 million, and I hope that we'll have between 8- and 10 million in 3 years from now under our modernization, or 4 years from now. And that's wild growth.

The second is agriculture where crops could be easily quadrupled. By this meaning we want to double them within the next two or three years.

And third is hydropower. We are utilizing only less than 20 percent of our hydropower potential. It would cover almost 100 percent of our needs. Remember, when I became president we used to import 80 percent of

our energy from Russia, then Russia declared a full-blown energy embargo on us. And then we -- basically now the only commodity we sell to Russia or the only thing we sell to Russia is hydropower. And we will -- and I think lots of jobs will be generated for years to come by hydropower construction and then lots of other jobs, industrial jobs, will be generated from using that relatively cheap and safe way to power your plants.

By the way, you know, one of the things we are doing now, we just signed a memorandum today in France, saying that we'll move all our government to electric cars. And that's underway because actually it's cheaper now in Georgia and we don't have to subsidize. It's 30 percent cheaper than oil -- you know, petrol- and gas-powered cars. And actually that's a very noble quest to have.

With regards to transition, I think Georgia has already had -- started the process of transition and we have elected the mayor of the capital, which amounts for one-quarter of the country directly. But we also have local elections everywhere with city council elected. And basically we also have autonomous Republic of Adjara where a local council is elected by the population or at least one-third in terms of direct elections are beyond the control of the president.

And under the new constitution changes, and I cannot run for presidency again, the president remains very powerful because actually he has regulatory power and that's a very significant part of our decentralized government, regulatory commissions. And I was the one who insisted that -- against the recommendation of the European experts, by the way -- the Venice

Commission, the president should have kept strong powers. Of course, he is still in charge of foreign policy and he is in charge of security policy, but he also runs a significant part of daily executive government under the new constitution.

The prime minister would be appointed by parliament and the prime minister will be important, more important than under today's constitution because it's directly a portion of parliament and it's appointed by a parliamentary majority. But my prediction would be that prime ministers would be -- will change much faster and much more frequently than, you know, at the present.

Now, I think right now in Georgia, every institution is more popular than the institution holders. It's a very important change, but the institutions are still weak. And certainly one thing I would not like to get, especially because we are now moving to -- we are moving parliament to the second-biggest city of Georgia, and that's an important psychological, political, and social change.

We are moving to this parliamentary government. We are doing lots of small and bigger forms that count. And the last thing my country needs is a lame duck president that will have no option whatsoever for the future political life, and that would not be very Jeffersonian or Washingtonian at a time when we have to build still those strong institutions. But certainly, my country will move beyond personalities and will be a performing democracy. And it's also already going that way.

By the way, we had a good debate -- a good consultation now with several political parties from the opposition, a new election code. Previous elections were deemed as a big step forward, but we found we wanted to make it (inaudible) elections. We don't only want to be number one. The former, so the

number one fights with corruption. But, we want to have the cleanest elections. If you no longer allow to steal public goods, you should also exclude any doubt that public worth would be stolen. And that's pretty achievable with the climate we have.

That's the second question. With regards with what the (inaudible) had asked about the Russian Caucuses? Look. There is a wonderful book by a British author from the '60s. I think it's called *White Sabers,* about the Caucasian war in the 19th century. That was one through alliance of Russians with Georgia and aristocracy and generals and military in the 19th century. So, this was a joint effort of two Christian nations against the resurgence -- Muslim resurgence at that moment in Northern Caucuses.

But one thing is clear from that book. Every time -- first Russia tried to tackle it for brutality of the King Nicholas I, very much (inaudible) of the policies that are implemented today. Every time they thought it was over, it came back with new force. And then Alexander II came in and he introduced liberal reforms. And that's what basically extinguished the fire there.

And I think that's a great historic example. That you cannot treat violence through violence, brutality through 10 times more brutality. It will come to haunt you again. And right now it's out of control. You know, I've heard my counterpart, President Medvedev, blaming Georgia for possible problems for socio-Olympics, but that's not a very encouraging sign. That means that they really don't know what's the real symptoms show. And what should be the cure. And they might go for the wrong cure, and you have even more of those symptoms that aren't even sure you might get them.

So, you know, we -- when I saw physically last time President Putin, he was

president at that time still, 2008 February -- he told me basically that they would fight war with us and they would recognize our Russian-dominated, at that time, still separate these areas. Because still then, even separatists were mostly out from there.

And when he told me that, I told him -- and it's -- we had, like, lots of witnesses to that conversation. These are official talks in Moscow. I told him, (inaudible), are you -- okay, you'll do it. But, what about the other Caucuses? How is it going to affect your Northern Caucuses if you are getting into these adventures just basically next door in the areas that are very much related to Northern Caucuses?

And he told me, you know, Northern Caucuses are over, it's finished. And even if eventually, somebody shows up, we'll just, you know, get them and destroy them like cockroaches. You know, he made signs with fingers like how he would do it with, like, total (inaudible). So, I guess now there are too many of those cockroaches out there. And one finger is not -- doesn't suffice to suppress all of them. And even 10 fingers would not suffice to all of them.

And actually, that's instructive for all of us. That, you know, if you cannot play with those things. You know, people are people everywhere. They react to certain things, and, you know -- and I think that people in Northern Caucuses, they are very normal people.

You know, we are liberalized with a regime for them. We allow them to come into Georgia without visas. We already had 90,000 of them. We expect this year something like 400,000 of them coming in. So far, we didn't have a single minor incident with these people. They are very obedient when they come to a country

which has rule of law. Smiling policemen, no corruption. Good opportunities to spend their Kremlin-sent cash for. And so, you know, if you look at those people, they are very normal. Obviously we are not getting some of the hardcore ones, but you know, I don't think it's worth antagonizing those people. They are people just any other -- like any other people. They just need to be treated as such, as humans. And then I think many problems will be taken care of automatically.

MS. HILL: We have time, perhaps one more group of questions. There was two people putting their hands down here. And then, I'll take this lady here. And I'm sorry to everyone else, but the President will have to go.

So, over here? Richard White.

MR. WHITE: I'm Richard White, Hudson Institute. You've talked a bit about relations with Russia and the United States and North Caucuses. What about relations with your own neighbors in the South Caucuses and Central Asia. Are they going well? Any lagging areas?

For example, we've been impressed that none of them have recognized the independence of Akazia or South Ossetia. But, certainly there might be some areas you'd like to see improvements?

MS. HILL: Thank you. And over here, Bill Courtney?

MR. COURTNEY: Bill Courtney, former U.S. Ambassador in Georgia. Good to see you again, Mr. President.

Since the Kala Revolution, since the Rose Revolution, Georgia truly has made some magnificent accomplishments and the transparency of international improvement is a good sign of that.

Yet, at the same time Freedom House still ranks Georgia as only

partially free. And I think that probably reflects a fair consensus of experts in Western Europe and the United States. Do you think that's a misperception? Or, have there been persistent shortcomings in democratic development that have caused the problem?

MS. HILL: Thank you. And there was this lady here. Thank you.

MS. MURZA-SCHULLY: Anna Murza-Schully, Georgian and undergraduate student from (inaudible) University and currently interning at Senator Lugar's office.

First of all, I would like to say that I'm proud to have a president like you. And our country is definitely on a successful path during your presidency towards democracy Westernization.

My question is about the education reform that took in our country. And I have a specific question about the project of Teach and Learn with Georgia, which I believe is a project of 1,000 native English-speaking teachers coming to the Georgian schools and teaching English. And, I have many American friends who are willing to participate in this project after their graduation, so I'm wanting to know whether this project is a short-term or it's going to continue in the future as well? Thank you.

PRESIDENT SAAKASHVILI: Okay. With regards to -- thank you all for the questions. With regards to our neighbors, we have perfect relations with both of them. As I said, Armenian president has been saying continuously they should learn from Georgia in terms of reforms.

We have -- on our side, we have done the drive-through borders. You don't even get checked, most of them can drive through. We are coordinating

on terrorist policies. We are easing the -- you know, we have transportation commissions doing both of them. We have lots of other ties and it's really -- I mean, the integration is happening both ways. I think we should be continuation of each other. With (inaudible) we are continuation of each other with Armenia.

And by the way, we also have amazing relations with Turkey. We have several border passing points opening. We have visa-free and now passport-free travels coming from me, like it used to be between Canada and the U.S. prior to your bad events in 2011 -- 2001. And actually, you know, I'm looking forward to a time when caucus will be one united self. And these problems will be solved out. There is no alternative to that.

With regards what Bill asked. You know, partially free Georgia has actually went up on Freedom House rankings last year in terms of civil liberties. I hope once we get proceed towards elections 2012, we'll get that up even more.

But you know, it takes -- it's a three-sided effort, you know. One on government, opposition, but also NGOs that are giving information to Freedom House that interacted with them, as you well know. And you know, we are already used to that. We are held accountable to higher standards than average. We are used to this, that's how it is. And you know as well as I do -- for all the different reasons in the world -- for geopolitical reasons, for people that -- you know, people want to look at us with us, you know, with magnifying glasses to look for faults, maybe why they wouldn't help us, that's fine.

We are not ideal; we have a long way to go. But -- and we are very calm about that. You know, we will eventually get there. I think we'll get there within the term of my presidency when all of them recognize and upgrade us. But, that's how

it is. And you know, that's -- and, by the way. I mean, getting back to like first question. I'm very pleased to have that where -- more and more Georgians in this town. At the moment, when I was doing my doctoral research here and used to ride bicycles around this place, there were one or two or three or four persons, maximum, of us around. There are much more around.

And also, by the way, besides people who are getting themselves, we also had program for scholarships and we sent something like 4 to 5 -- 460, roughly, people to study in the U.S. with our limited means.

But, we will do this -- we invited basically this program is for 10,000 mostly -- predominantly Americans to teach English in Georgia. And, it's a huge -- it's an amazing program. These people basically are stationed -- we already have like 1,600 of them. They are stationed in every small rural area. And the change of culture -- you get young American, women or men, coming in. And in a small rural area, small -- some remote mountainous village.

And the other day, I met by accident in a bar a young guy who was at some remote mountainous village. And he told me, look. I do my jogging every morning in that village. And, you know, nobody has ever seen anybody jogging early in the morning in the village. (Laughter) And with my iPod, and then I'm chased by dogs. But that's really more change of culture. It's amazing. It's much more than the language.

You know, we did now this thing that we pushed law through -- regulation through regulatory commission that we do with movies with subtitles. And frankly, most of the people think it's my personal dream to do movies with subtitles. But, you know, I've lived in France and I've been to the Netherlands many

times, and I know in the Netherlands they have films with -- movies with subtitles and they speak English. In France they don't, and they don't speak English. (Laughter) As we all know, they speak French. Strangely so. And they thought -- and I think one of the main reasons is in France -- is this movie business.

And you know, so it's a very complex program for us. And so, actually we'll continue with this program. We want more of them jogging in our neighborhoods and in our villages. We need to change, we need to adapt, we need to -- and you know, it's not like this 10,000 people; they will not only bring America to Georgia, to every Georgian. Multi-ethnic nation of Georgia, that's how I usually prefer to say it. But -- and that's what one of the few problems that (inaudible) got that I'm never referring to Georgia as Georgians, per se. It's like multi-ethnic and nation of -- called Georgia.

But multi-ethnic, multi-religious, multi-cultural. But also eventually, they all become Georgian ambassadors to the outside world, and especially to this country. We can -- we have now a very good ambassador here. We are getting very -- you know, maybe better facilities for the embassy. But we need not want but maybe several thousand ambassadors here to make our case.

I know America is one, and the world is too big, and the America is over-stretched and it's hard to keep focus. And so we need our own internal army to infiltrate this great country to keep its attention focused on this.

That's all I can say. Thank you so much for your time.

MS. HILL: Thank you. Thanks a lot. (Applause)

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