

THE BROOKINGS INSTITUTION

2009: YEAR OF CHALLENGES AND OPPORTUNITIES FOR GEORGIA

Washington, D.C.

Thursday, March 26, 2009

PARTICIPANTS:

Introduction and Moderator:

JONATHAN ELKIND
Nonresident Senior Fellow
The Brookings Institution

Featured Speaker:

DAVID BAKRADZE
Chairman of the Parliament of the Republic of Georgia

* * * * *

P R O C E E D I N G S

MR. BAKRADZE: [In progress]--U.S. invasion, and by damaged infrastructure and other sort of economic damage, which Georgia got in August.

And damaged infrastructure is only part of the problem, because infrastructure has been recovered, partly with our budget money and partly with international donor assistance. And you might know that in September, and there was donors' conference, international donors' conference, where donor countries pledged to allocate approximately US \$4.5 billion to help Georgian economy in its post-war recovery process. And, among others, it was the United States who was the first country which pledged \$1 billion assistance. That's something which we very, very much appreciate, because it really triggered other countries, including European Union, including IMF, Japan, World Bank to allocate and pledged significant amount of money. So U.S. was the real initiator and trigger of this process, and that's something which we appreciate and value.

And that money helped us to deal with some immediate post-war challenges, for example, infrastructure. And Georgian infrastructure was quite heavily damaged during the war, but basically it has been recovered. And there are no longer infrastructural damages in the country.

What damage does and what has more longer-term negative

effect on our economy was the overall image of the country and sense of instability from the side of investors, because image of Russian tanks rolling on the territory of a sovereign country is the worst possible signal for investor. So Georgian credibility, Georgia's image, Georgia's reliability in the eyes of international investors has been dramatically damaged by things in August, by invasion, because obviously, again, investor seeks stability and stable environment. And image of Russian tanks is not something which promotes image of stability and stable environment. So that damaged our economy. And to understand how deeply this damage was I should just tell you that last year about 23 percent of our incomes were for indirect investments.

And if one counts per capita for indirect investments, Georgia was among the top world leaders, and we have had and still have very open, very liberal economy, small but very vibrant; and foreign investments play a crucial role in the economic development of the country.

So immediately after the war, we had a challenge of confidence of investors, which led to the reduction of foreign direct investments. This challenge was further complicated by the economic crisis, which led to the total liquidity scarcity in the world in which led to the fact that unfortunately now there are not much people willing to invest somewhere under the conditions of economic crisis.

So it's a double challenge, first of all caused by the results of the war, and, secondly deepened by the impact of the global economic

crisis.

So how we survive that? We believe that the way how Georgian economy should deal with this challenge is by making it even more open and more liberal. And we did a number of concrete steps in that direction.

One of the steps, which I believe was a very bold decision from the side of government of Georgia, was reduction of income tax. We had income tax which was 25 percent, and that reduced to 20 percent this year. And to understand what it means, it means that our budget lost about 300 million Georgian laris, which is about \$200 million, as an immediate direct income from the tax reduction.

And it's not an easy decision during the economic crisis when every cent of budget income is counted to say yes to voluntary loss of \$200 million. But it was done with the purpose to give more, to leave more, money in Georgian economy.

So this money is not lost. This money is lost within the next few months as direct budgetary income, but this money is not lost, because this money remains in Georgian economy. This money generates more economic activity, and this is basically indirect state investment of these \$200 million into Georgian economy.

So what we did we said no to this immediate amount of \$200 million, reinvested--left this money into Georgian economy, so in six months, one-year, two-year time period this money will generate much more positive outcome if it is left in the economy rather than it goes to the

budget and treasury.

So it was a, as I said, challenging decision because it's not easy during the economic crisis, you know, to reduce budgetary incomes. But I think it was the right decision, and I think, I mean, with steps like that, with more liberal steps like that, I mean, Georgian economy will be better suited to deal with global economic challenge.

Another thing which we're doing is our own vision of economic stimulus plan, and we do not do direct bailouts because, first of all, we have small economy, and we do not have a enough financial resources; and, secondly, we believe that for a small and open, very open economy like Georgia is, direct bailouts may not be the best option.

So what we do instead we do government's reinvestment programming into economy. So this year government reinvests about \$1.5 billion into economy. And for small Georgia, it's a quite significant amount of money.

So what we do--government announces tenders for infrastructural development projects, which means that gasification of the country, improving of water supplies, road construction, different construction services. So this is where money will be spent.

And these tenders, which are announced by government and paid by government, is a chance for all private companies to participate and to get money and to compensate the losses from the decrease from the private demand, to compensate that decrease by the government's offer and the governmental demand, because, for example,

in the construction sector, it was the fastest-growing sector in Georgia in the last few years. And many economists in Georgia said that it was kind of even bubble sector, but it was really dramatically growing.

And now, I mean, because of obvious reasons, because of economic crisis, the private demand for housing dramatically dropped down, which means that there is a risk that the construction companies will face the danger of collapse.

So by reinvesting this money and by offering these companies to work for the government, basically, we tried to save these companies and we tried to save jobs and save employment of the people which work for those companies.

So this economic reinvestment is another step how we think to overcome the economic crisis.

And thirdly, and I think this is very important direction, we monitor very, very closely our fiscal and financial system, and that's banking system first of all, because, I mean, if collapse of the banking system starts, if even one Georgian Bank gets collapsed, it will be a very bad sign, and it might be the beginning of the chain reaction which later will be very difficult or impossible to stop.

That's the problem in every country, but, for Georgia, it's even more complicated because we still have memories of early '90s when we had a hyperinflation in the country. These were our first years of Georgia's independence. We had a hyperinflation in the country, and we had a chain of bank collapses in the country. So it took us more than 10

years to recover people's confidence into the banking system and to change the fears which people had from early '90s in the banking system.

So now the Georgian banking system is very stable. Now people have high level of confidence to Georgian banks. And if there is problem with even a single Georgian Bank, that may return back all those fears which people went through in early '90s.

So we follow and monitor very, very carefully and closely held Georgian banks function. And at the point, there is no risk of any Georgian bank, any banking institution, facing collapse or something near to that.

So there is no risk and we also follow very closely, of course, our currency rate and currency inflation rate and Georgian currency is stable.

So despite the fact that we faced the challenges of economic challenges and plus post-war reconstruction, all in all, I could say that economic wise the country is on the track, because we have a stable currency without damaging signs of inflation. We have a stable banking system, and we still have stable and working economy, which is now, as I said, more open and more liberal. We have reduction in foreign direct investment. And within the first quarter of 2009, foreign direct investments have been reduced by approximately 32 percent compared to the year before.

But, as I said, it's easy to explain. It's easy to explain first of all by impact of global economic crisis, which makes an investor, as such,

you know, very--unfortunately very rare event and rare phenomenon.

So objective is that we follow the stream of well developed and open economies, because, in our understanding, there are two kinds of economies: vibrant, diversified, and open economies, which will overcome the crisis and come out of the crisis; and centralized economies, which are resource-oriented economies, and, for them, it will be more difficult to come out of this crisis.

So our objective is that Georgian economy remains open and follows the stream of the fastest- developed countries when they start to overcome the crisis.

And that's the time when investors will reappear, and that's the chance for Georgian economy, if it is vibrant by that time, has more chances to attract foreign investments than it has now more than it even had in the past.

So I would say that if we keep stability, and if we keep economic stability in the country, Georgia's economy, despite difficulties, is still on the track.

Let me turn now to security, which is, again, a significant challenge for Georgia, and it's a challenge first of all because of Georgian-Russian relations and the immediate security risk to the country's existence of two occupied territories in Abkhazia and South Ossetia.

Unfortunately, in last few months, there are no visible signs of progress regarding both areas, and I would say that unfortunately we even have some signs of regress there. What are referred to is

implementation of the cease-fire agreement from the side of Russian Federation, and just to remind you, the cease-fire agreement was signed on 12th of August, and that was the point when formally the military action has been over, although Russians continued after that, but formally that was the end of military confrontation; and that was signed by Russian President Medvedev.

But unfortunately, Russians still do not implement that agreement. And the easy example is that Article V of the agreement demands directly that Russians withdraw their troops from Abkhazia and South Ossetia and reduce numbers to the pre-war levels. Pre-war levels means that there should be no more than about 2,000 Russian troops in both regions together.

What we have today we have about 13,000 Russian troops in both regions with no signs of withdrawal, and quite, in contrary, we hear and know clearly about Russian plans to establish military bases, permanent military bases, both in Abkhazia and South Ossetia, and not only land bases, but also naval base in case of South Ossetia and air bases in both regions.

So what we see today is not only not implementation of its own commitments from the side of Russia by President of Russia. I mean, we're not talking about general rules of international law, which, of course, defines the illegal presence of the territory of other country without consent of that country as occupation.

But, okay, let's even put aside international law and speak

specifically about commitment which was signed by Russian President and accepted by State of Russia.

So we are talking not only about not implementation, non-implementation of that agreement, but we're talking about steps taken in the opposite direction.

So what we see today, we see increase in numbers of troops instead of decrease, as it is required by the cease-fire. And we see installation of permanent military bases instead of withdrawal, again, as it is defined by agreement.

So this is something which, I think, should be continuously addressed by international community, not only Georgia because at this stage we have very limited resources as a country to address that problem and our main resource is international reaction and international position, which should urge Russia to implement its own commitments.

And I think this is an important, and the importance of this issue goes far beyond Georgia itself or Georgia's two tiny regions occupied today by Russia, because there are a number of very fundamental questions which arise from this case.

And the first fundamental question is whether any country today can change borders by use of force. And that's really the fundamental question because that's the key principle of European security, and Euro-Atlantic security--no forceful change borders.

What we see today in Georgia, we saw war in August. We saw then later occupation of both territories and recognition of both

territories and now attempt to institutionalize Russian presence, military presence, on both territories by building bases.

So this is the clear case of changing borders of Georgia by use of military force.

And the question is whether any country today is allowed to change borders by use of force and whether that is accepted by international community, because if it is accepted, then, of course, this is a precedent, very dangerous precedent, and it's an opening a Pandora's box, because that destroys, again, the key principle of Euro-Atlantic security--no forceful change of borders.

The second fundamental issue there is whether ethnic cleansing can be accepted as a legitimate way to self-determination. And this is a very important question as well, because what we hear from Russians today is that Abkhazians and South Ossetians have right to independence and right to self-determination.

But what we had in Abkhazia in 1992-93 was massive ethnic cleansing of non-Abkhazians and non-Russian population--first of all, Georgians, but also Estonians, Jews, Ukrainians, and others.

And that ethnic cleansing was recognized by three OAC Summits and among other 54 presidents. These decisions have also signatures are then Russia's President Boris Yeltsin--three summits.

So that's an internationally recognized cleansing in Abkhazia and, last August, we had again ethnic cleansing in South Ossetia, the second wave, which is also recognized by a number of international

organizations like Council of Europe.

So the question, then, is whether self-determination can be achieved as a result of ethnic cleansing? And ethnic cleansing per se is a gross violation of basic human rights--all basic human rights. And, again, this question has significant implications which go outside Georgia, because if in case of Georgia self determination can be achieved by ethnic cleansing and violence why cannot the same happen in other places? And there are a lot of conflicts around the world, and the fact that ethnic cleansing and violence can serve as a legitimate tool to self determination will encourage violence in many hot places, hotspots, around the world.

So again, it's a precedent, and, again, it's an opening a Pandora's box with much more important implications than just Georgia or just two pieces of Georgia.

And here, just in one sentence, because very frequently we hear Russian comparisons they gave about Kosovo and Abkhazia and South Ossetia, just one sentence was the difference. There are a lot of differences, but the simplest difference is that Kosovo is a case of international intervention, which stopped ethnic cleansing.

Abkhazia and South Ossetia is a case of Russian intervention, which caused ethnic cleansing. So in Kosovo international community intervened to stop ethnic cleansing.

In Abkhazia and South Ossetia this intervention was the reason and source of the ethnic cleansing. So I think it's a clear example which makes these two cases absolutely, I mean, 180 degrees different

from each other.

So the second question is about ethnic cleansing.

And third question, also fundamental question, is whether Russia is allowed or any country in Europe today is allowed to establish its own sphere of influence.

And basically what Russians openly claimed today is their ambition to have their own sphere of influence around Russia's borders. And there are a lot of signs of that.

I mean, this change of Georgian borders--I mean, very open, direct discussions about regime change in Georgia, about the fact that they do not like current Georgian leadership. They do not like current Georgian orientation. They do not like Georgians joining NATO. They do not like Ukrainians joining NATO. They do not like President of Ukraine, so, I mean, excuse me, but it's our decision.

We elect our own president. We decide whether we join NATO or any other organization. We elect our government. And no other country has right to intervene, so by openly intervening into internal Georgian politics, into internal Ukrainian politics, into internal Moldavian politics, into internal Azerbaijani politics, basically Russia claims that it has the right to have exclusive influence in the states which are located along its borders.

And if this is accepted, it means that Russia, again, has the area of influence around its borders. And, again, it's a fundamental issue of European security, whether any country is allowed to have spheres of

influence, because the biggest achievements since they Second World War was elimination of sphere of influence politics and the introduction of the understanding of security as an indivisible thing. Security is indivisible.

So in case of spheres of influence, this disappears, and it's returned back to the Second World War or 19th century understanding how security works.

So these are the fundamental issues: change of borders, human rights and ethnic cleansing, and spheres of influence.

And I think these are three questions which are per se important enough not to be ignored and not to be forgotten from the side of international community.

So when we say that there is a need for continuous international policy and consistent international policy vis-à-vis Georgia, it's not only about Georgia, but it's also about addressing these fundamental issues which are in the interests of international community.

So we believe that key here is inconsistency, incontinuity [sic.], and if this continuity is in place, at the end of the day, the historical logic will lead us to the same direction as it happened during the Soviet Union and Central and Eastern Europe.

There is no other historic logic and historical logic always develops in that direction.

So continuity and consistently does not mean, of course, let me very clear on that: isolation of Russia. It means proper policy.

So, in that sense, and I frequently get questions what we

think about this new policy and new reset policy between the United States and Russia. And let me be very honest that we do not see problem in that.

And we are very interested if United States and Russia have better relations, because it means more predictable Russia. It means more reliable Russia, and it means Russia which is less dangerous for Georgia.

So the better relations Russia and the United States have, the more secure, the more defended Georgia.

So that's clearly in our interests. But the key question here is that there are certain values which should not disappear. And when one reboots computer, not every program is deleted.

So the question is that whether Georgia is this kind of program which is not deleted and whether America's Georgian policy continues.

And what we hear today very clearly from high--very high representatives of new administration is that Georgians--America's Georgian policy will continue, and it's a consistent and continuous policy.

And basically, that's true, because this policy was first designed during the early '90s when we got independence, and it was designed by then Democratic administration and by President Bill Clinton and basic elements of this policy like securing sovereignty of Georgia, you know, sending a signal to Russia about the red line, not to intervene into internal affairs of the post-Soviet space, securing energy independence

and alternative energy supplies. I mean, all those basic elements have been designed in early '90s by then Democratic administration.

And then there was a transition to Republican administration, and these elements remained in place and were further strengthened. So, we hope that this time, with Democratic administration back, these elements will be continued and this continuity and consistency will be secured. And we have every sign to believe from all our meetings, from all public statements, we should follow very carefully that there will be continuity of U.S. policy.

And this is something which is crucial for my country. And this is something which we very much appreciate--the fact that America's Georgian policy is a bipartisan policy. And this is a policy based on values and national interests rather than based on vision of one or another political party.

So this is something which we appreciate and value very much, and I hope that, as a result of this such a bipartisan approach, there will be continuous policy.

And, as always, I promised to be brief, but I always fail in that, so let me now turn to the--maybe to the most important area, which is democratization, internal reforms, and the internal political situation in the country.

And that's, of course, area where I am directly--very directly--involved as a Chairman of Parliament. And we often hear questions about our commitment to reforms--whether this government continues to

be committed to reforms. Everybody acknowledges that this government has very significant and impressive set of achievements in previous years, but always the question is whether we continue to move forward or not.

And there is a very clear understanding on our side that if we stop, if we do not continue to deliver, if we do not continue to further democratize the country, then we as a government as a political party, then we fail, because all our political party, our government is based on the fundamental belief--and that's belief of reforming the country-- reforming politically, reforming economically, reforming mentally.

And if we stop reforming the country, it means that we fail as government and as a political force.

So there is absolute conviction and intention to continue political reforms, political reforms which lead to more stability, internal stability, in the country.

And let me be very clear: in case of Georgia, internal stability can never be associated with stability like it is sometimes understood in some of our neighboring countries.

So in case of Georgia, stability can never be achieved at the expense of democracy. And it's absolutely clear--there is absolutely clear understanding in government about that.

Georgia is very open society, very open minded, very vibrant society, with very high extent of internal freedom of society. So, in Georgia, it is impossible to have any kind of stability at the expense of democracy.

Like in U.S., like in European countries, the only way how Georgia can be stable is by making it more democratic and by setting up the system which is open and democratic system and where every political party, every segment of our society finds its place.

And the challenge for Georgia today is not the fact that opposition is strong. The challenge is that sometimes it is not strong enough. And this may sound strange, but let me understand: we are not afraid of strong opposition, because strength never comes alone. Strength always comes with responsibilities. And the stronger opposition is, the more power opposition has, more roll opposition has in the state governance, it means more responsibility it has. And responsible opposition is not dangerous neither for us nor the country.

What is dangerous is irresponsible opposition which feels that it is cornered, which feels that it has nothing to lose, and which feels that it can destabilize the system just for the sake of doing something because they have nothing to lose.

And a few weeks ago, I called this part of opposition kamikaze opposition or kamikaze mentality opposition, and then I was criticized by them. But, I mean, being kamikaze is not bad itself, but in politics that is dangerous for the country. And the way how we can avoid this kind of mentality is to set up more inclusive system where all segments of opposition--radical, non-radical, moderate, non-moderate--find their place within that system. And that can only be achieved by further democratization of Georgian society.

So we continue democratic reforms, and we distributed a document which hopefully all of you will read and see what was done in last eight months in Georgia.

So we continue reforms basically in three main directions. One direction is general democratization of the country, which is reforms of judiciary, reforms in media, reforms and other related areas.

Second is reforms in strengthening Parliament, and that is something where we have consensus in the governing team--that Parliament should be stronger. Parliament should play more important role in this is a good and proper direction for Georgia to continue to develop a stronger parliamentary democracy. And we are--you will see in the paper we already started some steps to make Parliament stronger. And within the next two, three years, there will be a sequence of very important political steps which will dramatically strengthen Parliament as an institution.

And the third direction of our reforms is making opposition stronger, giving opposition a stronger role in the state governance, because, again, as I said, if opposition has a strong place within the system, it means that it has more stability and it means that we agree on the common rule of game.

And this rule of game is very simple: we fight with each other but not at the expense of the country, not the expense of the country's national security interests, as it happens in every country.

So let it be a political fight. Let's fight politically who will get

more votes, but not at the expense of leading country to polarization, a leading country too, I mean, civil war, which we went through 15 years ago; and not at the expense of country's overall ability and security.

That's the only and basic rule. So, we are trying to reach out to every segment of opposition. With part of opposition, we work successfully on that. And we have some representatives of that part of opposition today in this hall.

Just to remind you last year, we had parliamentary elections. And part of opposition accepted--refused to accept results of elections. They refuse to take their seats in Parliament, and they said that we will not go to the Parliament; we stay outside and we continue to demand resignation of this government and new elections.

So that's part, which we call radical opposition. And there was other part of opposition which said that yes, there were elections. We accept results of these elections. We go to Parliament; we participate in normal political life. We continue to criticize his government, but we do it through normal political means.

And that's the opposition which we call parliamentary opposition.

So basically, with parliamentary opposition, we have this understanding that it's a political fight, and normal political fight, as it happens in every country. They criticize us. We criticize them. But at the end of the day, in the last eight months, we did a lot to make this opposition stronger, not for the sake that I love this gentleman or I have

any specific positive sentiments towards the people represented here or others back in Tbilisi, but exactly with the only understanding that the stronger opposition is more responsible opposition. In strong opposition in the parliament means that we also have higher chances to make right decisions, because if we are rightly criticized, if we are criticized in a responsible way, it increases chances that we, as the majority, make right decisions.

And that's the only normal mode of how state works. So we did it for the sake of ourselves as well, not for the sake of themselves only.

And there is other part of radical opposition which is now planning this--new actions--street actions, and you may have heard about 9th of April, which is the new declared date when Saakashvili should resign and this government should disappear from Georgia. And that's not new, because in the last three years, we had four or five deadlines when this government was supposed to disappear, but it's still there.

So it's not new, but it's still dangerous. This is what I call kamikaze, and I believe it's a deep mistake from the side of politician to set specific deadline, because, by that, you know, they corner themselves.

So April 9 is set by them as a deadline when Saakashvili should resign. But what happens when the evening of April 9 comes and Saakashvili is still the President? What's these people then tell to their supporters? What they can deliver? What is their exit strategy? That's the problem, because then these people are cornered, and cornered opposition and cornered person is always dangerous.

So we don't want them to be cornered, and we try to reach out this segment of opposition. We try to offer them different ways of exit strategy--what might be a strategy, what might be longer plans for reshuffle of power in the country, making country more democratic, changing the system.

For example, we offered them the new election system, establishment of new election system--new electoral system and new election code, and this is very important offer, because basically it's the first time when we as a majority offered to start open discussion how--what kind of electoral system Georgia should have.

Now we have the single mandate constituency --mix of single mandate constituencies and party lists. And part of opposition was unhappy with that. And yet, the first time we offered them to open discussion on that and to come to the agreed decision what kind of system would be better in general for the entire political spectrum.

And that's an important decision. We offered them, and we are ready to be part of the broader constitutional reform process which will lead country to a better system of checks and balances. And, as I said, Parliament should be strong, and, as far as we know, there were some public initiatives of some opposition parties demanding Georgia's gradual transition into parliamentary republic. I think that parliamentary republic is still early for the country, but, I mean, if this is a serious offer, we are ready to follow that offer and move into the direction of stronger parliament.

So there may not be parliamentary republic, but at least we

are ready to start discussion about stronger parliament and more limited role for the president.

So there are a number of areas where we try to cooperate and try to offer an exit strategy, and I really hope that once these people themselves see that 9th of April is no longer an option and nothing happens that day, I mean, then they will become more cooperative and then we will be able to use all these political offers which we are making and we are really ready to go even further with country's democratization.

So that's, I mean, in a more general description what we are doing in the country. You will find specific reforms described in the paper, and you will see that these reforms cover basically all major areas of the country's development, starting from public oversight on budgetary expenses and ended with media and judiciary independence.

So that's broad--but I just wanted to give you a clue what is the philosophy behind reforms, and to try to make you understand that government is not afraid of reforms and it is not afraid of opening the system and it is not afraid of strong opposition. The more open the system is, the stronger the opposition is, the better for us, because it means that society is stable and it means that we have no cornered people which make radical or crazy decisions.

And we went through it 15 years ago, when Georgia was polarized; when Georgia was divided, and that led us to a lot of disasters.

So we have this bad historic memory and experience, and the only way ahead is through having more open, more vibrant, more

inclusive system where every political party finds its place.

And we started construction of this system, which is really the second phase of Georgia's democratic reforms. And sometimes we call these reforms as a second wave of revolution, and the idea is exactly that with the creating of this kind of political system in Georgia, we qualitatively change the situation in the country in terms of democratization of the country.

So that's why it's sometimes called the second wave or second basket of reforms. We started that, and we are ready to continue it in the condition of regular dialogue with all segments of opposition, however difficult it is.

And as a Speaker, I can tell you that sometimes it's very, very difficult, but that's the only way and, I mean, the only way how country can preserve stability and move towards more democracy is through dialogue and I say it all the time.

So we are ready for that. And thank you very much for your attention. I guess you will have more questions about specific things happening in Georgia, and I'm ready to take those questions. But thank you very much for your patience. And I apologize for being too long, because, as a member parliament, I have a bad habit to stop only when I hear bell or hammer and moderator was kind of enough not to stop me at all. So I apologize for being long, and thank you for your attention.

(Applause)

MR. ELKIND: Well, ladies and gentlemen, we'll now start

the question-and-answer period, and I will take the prerogative of offering a first question, but then it's over to you.

And when you are wishing to make a--to offer a question, please wait to be recognized. One of my colleagues will come around with a microphone. Please identify yourself. Please make sure your question is brief and to the point. And please make sure that it ends actually as a question.

Mr. Speaker, though, I'll take advantage of sitting up here in the front of the room to ask a first question, and I won't make it an easy one, because I think that would be a waste of your time and pity for everybody's interests.

Many who follow events in your country this week have been quite surprised to see the news about arrests and accusations toward one of the best-known now members of the opposition. That would be the former Speaker Nino Burdzhanadze's party.

I'd like to ask you please to give us an interpretation of what happened, of what has happened. Secondly, the--and the second piece of the question is this: you very carefully spoke about the need for accommodation within the Georgian political system. Frequently, at least in the press, one reads many very sharp criticisms of the opposition in general, which one might be tempted to say and be summarized as that the opposition is working in the interests not of Georgia, but of Russia. Isn't there a paradox here that one is talking about a political accommodation with parties that are being accused of what in the

Georgian political context is the sharpest, the most hard edged accusation?

MR. BAKRADZE: Okay. Thank you. So I'll start from the second question. It's--I mean, if one follows internal situation in Georgia and statements made by different sides, usually that's opposition which is much more critical to government other than government. And if one follows some statements, you will hear the most frequent expression from opposition when they speak about government and majorities that we are criminals and we should go to jail once the system is changed and they come to power. And this is bloody dictatorship; and this is autocracy, and Saakashvili personality as dictator.

And, I mean, and all these kinds of assessments. And that's very unfortunate, because, again, it leads country to (inaudible) polarization. I mean, if I tell you that you will go to jail when I went election, of course, that doesn't help and doesn't encourage our dialogue at all. And, I mean, we hear comments from opposition forecasting Romanian scenario so-called or Ceausescu's destiny to Saakashvili, and that's unfortunately something very common, these kinds of statements, in Georgian politics.

And that's really regrettable. But if you follow statements of majority, what we have not responded in any way, especially in last year and half since November 2007, we have not usually--we try not to respond to this kind of rhetoric and allegations.

And if one follows the scheme is that well, we say, okay. We

have concrete problems. Country has problems, so let's speak about employment. Let's speak about health care. Let's speak about social issues. Criticize us on that. And let's debate.

And usually the response from opposition is that no, no. You're just misleading us. Until and unless this government has changed, there is no sense to speak about health care. There is no sense to speak about employment, about social sphere and so on

So the only way is that we change government. Saakashvili resigns and then we start discussing these issues. And, again, our point is that no, I mean, that's not a point. Let's start an issues-based discussion.

Usually, that's the internal rhetoric, and I think members of opposition represented here will agree with me that that's the usual pattern in Georgian internal debates and political debates.

As of these kind of accusations, what is said usually--I do not remember the case with any concrete political party or politician was blamed for working for Russia. Usually the case is that--and I also made that comment a few times--that--I mean, however sharp differences are, however deep the differences are, and, I mean, however big the protests waves in Georgia are--I mean, we should work and we should settle these problems through dialogue, because if there is no dialogue, then processes move towards polarization.

We went through it in early '90s, and if we go through again the stabilization and (inaudible), we lose as a government. You lose as

opposition and country loses. And the only one who wins is the power interested in weak, fragmented, and destabilized Georgia.

And that's not power in Georgia. That's power outside Georgia. So it's responsibility for all politicians, intentionally or unintentionally not to work for the interests of that power, because by leading Georgia to chaos basically damage ourselves, and we serve the best interests of that outside power.

So this is basically the point that on purpose or without purpose and basically in absolute majority of cases, and we specify that it's basically without purpose and without linkage with Russia, but intentionally or unintentionally we should not lead country to the direction of chaos and destabilization, which is in nobody's interest in Georgia, but can be only an interest outside force.

So this is the basic point, and I really do not remember the case when any opposition party was blamed in any kind of direct, I mean, subordination or implementation of any commands from Moscow. And this is, I think, quite different thing.

And I still can repeat it here that if Georgia is chaotic, and if processes in Georgia lead us to chaos and disorder, of course, then we all lose inside Georgia and wins the only power which wants to Georgia to be weak, disoriented, and derailed from its NATO aspiration. That's very clear.

As of the first question about arrests, I mean, that all started-
-that's not a recent case. It started quite a time ago, basically a few weeks

or couple of months ago even. And it started as ordinary undercover operation of police. And in Georgia, as in every country--and the United States, I guess--one of the jobs of police is to follow illegal trade in arms. For Georgia, it's an especially important problem, because the wars which we had, because of the Russian bases which served as a major source of spread of illegal weapons, so, because of wars, we had huge number--we still have number of weapons spread in the general population.

And one of the priorities for Georgian police is to track and monitor very carefully and closely any illegal trade in arms, because those illegal weapons are main source of criminality in the country. So basically it started as an ordinary police undercover operation when these few weeks ago, police identified few individuals searching for possibility to buy weapons illegally at the black market.

Then it was an ordinary police operation conducted by undercover agents, which offered to these people possibility to buy these weapons, and these people said that they are really interested. Then these people--I mean, these are different individuals and different groups.

These people have been taken to relevant stocks. They checked these weapons. They--I mean, ordered some additional weapons--what kind of weaponry they would like to purchase.

They paid money and they got those weapons. And that's basically when undercover operation ends, because one person pays money and gets a weapon in his hand, that he should be arrested, because, then, he will use that weapon obviously.

So that's usually in every country when operation is over, and this operation was over in Georgia last weekend, on Sunday, when police had facts that these people purchased weapons.

And when I say facts, I mean full video footages. And these video footages I guess are already--English translation of those footages are already available on the website of our Ministry of Interior. I heard that it's already uploaded in You-Tube, and I have also CD, so those of you interested may also, I mean, take the CD.

And this is a full video story how these people are trading in arms illegally. It has video signal. It has audio signal. So it's a full story. You will see faces. You will see these people speaking. You'll see these people having guns, machine guns, in their hand, ordering him out of machine guns which they want to buy. And you will see these people paid money for these machine guns.

And we're talking about very specific type of arms. It's not a hunting rifle or it's not even a pistol. Well, it's still a crime if somebody buys a pistol at the black market. It's still a crime, but more or less, you know, it can be explained by some personal reasons.

But when somebody orders 16 units of machine guns, Kalashnikov machine guns, 16 units of Kalashnikovs, it's not something personal. It's something more than that. When somebody offers hand grenades or grenade launchers, I don't think that anybody uses grenade launchers for hunting, even in Georgia. I mean, that's certainly not for this kind of personal consumption.

So it was a serious undercover operation conducted by police. On Monday morning, police arrested all those people and made a very brief statement that these individuals and identified names have been arrested and charged in illegal trade in arms. That was it. Police made no other statement at that point.

And the investigation goes on.

What happened afterwards immediately, and I think that's a very unfortunate and wrong development, because what happened afterward we had the--as you mentioned my predecessor, Mrs. Burdzhnanadze--all of these people appear to be members--well, not all, but the majority of these people appear to be members of her party.

She made a press conference saying that it's basically an intimidation and it's the beginning of political repression against her party. And some other political parties joined her, so they signed a special document demanding release of evidences from the side of government and assessing this issue as a political intimidation and political pressure against opposition. And they demand that government release evidences because otherwise it would be seen as a political campaign against opposition.

So after that, in the evening, the Ministry of Interior made a statement that, you know, it was not going to release evidences because it was an ordinary investigation for our police, but since it--it became so public--since it became so politicized and since Ministry was accused in exercising political pressure, they made a decision to release these

evidences.

And they released part of the video evidences which they had, and these evidences are here, and those of you who watch, you will very clearly see individuals buying weapons, buying machine guns, buying grenades, and this is not political. This is criminal action.

And again, position of police was that we don't see this case as a political case. We see this case as a criminal case of individuals involved in illegal trade in arms, and this is punishable action in Georgia.

So it has nothing to do with politics. So we released these evidences, and we hope that every political party will understand that it's not political, and it's a criminal case.

What we had afterwards--we had some political parties which stopped making active comments against the government, because basically this material is very, very convincing material. But we have some political parties which still say that well, it's a fabrication. It's a fraud. It cannot happen.

The context is different and so on. Its' basically difficult to understand how the context can be different if I offer you 16 units of Kalashnikov what might be the context for that. It's difficult to understand, but, okay. Let them say that.

Again, what our position is that we are for the very transparent investigation, and the investigation is going. So it's job of police to understand why these people wanted to buy these weapons.

Nobody says that it is connected with coup. Nobody says

that political party was plotting something in Georgia. We do not connect it. And you will not find a single comment from representative of majority or our political party or government. You will not find a single comment saying that it was connected to their political activity.

We just said that it was individual criminal. It does not matter to which party these people belong. It's criminal, and we hope that all political parties will condemn violence and criminals. That's it.

You will not find a comment, you know, linking this to political activities or (inaudible). It's not really a case.

So investigation has to answer the question why these people wanted the weapons. I think the explanation is that, I mean, many people still remember how chaos started in 1992 and experience of that time shows that if there is basic disorder in this tape, the ones who are armed and organize usually get control of the situation.

And that's then, I mean, that's a source of money and that's a source of power. So I guess there are enough people in Georgia who want things to develop into the direction of disorder or chaos because then they will benefit personally.

And some of those people may be members of different political parties.

But I think the right position of political party is to delineate from these kinds of people, not to defend, not to jump in, not to say that they are victims of political repression, but just to delineate that if that's an individual crime, we condemn violence as well.

So that's basically it, and I can leave some of the CDs here, and you'll--it would be interesting--

MR. ELKIND: Okay.

MR. BAKRADZE: --for you to watch what kind of evidences we have. So basically it's not a political case.

MR. ELKIND: Thank you. Ladies and gentlemen, before I do--open the floor to questions, I actually have to belated introductions that I should have done. One is to introduce myself. I'm Jonathan Elkind from Brookings Institution. More importantly, though, please, also we are joined today by Ambassador Batu Kutelia, newly arrived here in Washington, and I hope that he will be with us not only this time, but many more times at Brookings Institution.

AMBASSADOR KUTELIYA: Always a pleasure for me to be here.

MR. ELKIND: So, please. Jeff, you care to? Wait for a microphone here.

MR. GOLDSTEIN: Good morning, Mr. Speaker. Jeff Goldstein from Freedom House. I very much appreciated your comments regarding the dangers of driving the opposition into a corner, particular in light of the fact that many people who have observed Georgia over the last five years would argue that it's the repeated changes in the constitution and the electoral law pushed through by your party's majority in parliament that have contributed to driving the opposition into a corner.

And with that as a background, I'd like to ask you about the

operation of the new committee to come up with changes in the electoral law.

If the committee succeeds in creating a law that is broadly acceptable across the political spectrum, what confidence can we have that with no election scheduled for several years that a couple of months before the next elections, your party, which has a super majority in parliament, won't simply change the rules of the road again?

And then secondly on media reform, one of the big problems in media freedom in Georgia right now is the fact that the two nationwide television broadcasters both have what are--while, to be charitable--less than clear ownership structures. And when you talk to journalists in these organizations, they tell you that the ownership, who ever it is, as a very serious impact on their editorial policy.

So what is your party in parliament planning to do to provide a little bit of transparency into the ownership of television in Georgia?

Thank you.

MR. BAKRADZE: Okay. Thank you. It might be different views why we got--why we won elections and got majority in the parliament. And some may argue that existing political system contributed to that, but, at the end of the day, the fact is that during the last elections, my party got more than 60 percent of votes, and that's the fact. So, I mean, I'm not going to dispute this issue.

What we say is that we're open for these kinds of changes. And this is a political commitment on our side. Of course, we have

majority in the parliament, and at any moment, we can make any decision. And that's how parliament works. Decisions are made by a majority.

But we make our political commitment that we are open for this process, and we started this process. We entered the process and that's an open-ended process.

So whatever the agreement is, we make a political commitment. I personally made a commitment that whatever the agreement is, we will implement this agreement. And I think in politics is not only a matter of numbers, because in terms of numbers, we have majority, but it's mostly matter of political will and political commitment.

And we at the highest level--me, President, other leadership--we clearly expressed our political will and commitment to implement the agreement, whenever agreement is reached there.

And we said that it's an open-ended process. We do not enter this process with any pre-conditions, and we are open to cooperate and to discuss this issue with the opposition in good face.

So this group just started to work. We--just a couple of months ago, they--representatives of eight political parties they signed a code of conduct which was prepared with the mediation of NDI and NDI played a very positive role in these consultations.

Now they are finalizing the working modalities of this group, and I hope that in a very near future, in couple of weeks, they will start substantive work on the new election code. And it takes time. It takes time, because this process will be a lengthy process because it's not easy

to come to consensus went eight different parties--and we expect that number of parties may increase. And we left the door open, so every party can join us at the later stage.

It's not easy to come to consensus when it comes to the vital issue like election system where every party has different priorities and interests. So it will take time. And it will take time because we will need to send this draft to international organizations like Venice Commission or Council of Europe to have their opinion how democratic it is. Then it will be brought to parliament. And we also need time to adopt it in the parliament.

And then it also takes time because it needs to be implemented. And the recommendation of all international organizations is that changes should be adopted at least 10 months or one year before scheduled elections so that these changes are implemented and people on the spot--people who conduct elections know about this legislation and know what they are supposed to do.

So it means that we have next scheduled elections in the fall, October 2008, which are local elections. It means that if we count this time, we have just the proper timing to have this new election system in place for the local elections in 2010. It's a lengthy process.

But again, as I said, there is a political commitment on our side with which we entered the process that whatever the agreed result of this process is, we will accept this result. I don't see any other mechanism.

We cannot expel some of our MPs to decrease our majority in the parliament, so we have majority in the parliament. And that's all we have. But the only mechanism--what we can say is political will and political commitment. And we do have it.

As of media, well, I accept absolutely that there is still a lack of transparency on the ownership issue of media.

And that's one of the remaining issues which need to be addressed. And I think that in the last few months, we made number of steps which increase the extent of media pluralism in the country.

One traditional point of criticism was associated with political life, political talk shows on different Georgian TV channels. And what we did, for example, in case of public broadcaster--we have Georgian public broadcaster, which is financed from budget. We parliament adopted a law obliging public broadcaster to have regular live political debates with equal participation of all political parties, including opposition parties.

Basically, from the viewpoint of liberal democracy, it's not 100 percent right thing to oblige television to have political debates. But, you know, we did it because this public broadcaster is financed by budget, so we said that since it is financed from budget, we can oblige them by law.

So we have legal guarantee that Georgian public broadcaster has to have political debates. And plus to that, I can tell you that we have seven weekly political, live political, talk shows on three major national channels, and plus if one counts the regional channels,

which broadcasts Tbilisi and nearby area, we have 28 weekly political talk shows.

So today in Georgia, it's no longer a situation when speakers are searching or speakers are hunting for talk shows, but it's quite in contrary--the situation when talk shows are hunting for speakers.

And since I'm involved in this distribution process, it's really problematic to find speakers for 28 weekly talk shows, and some members of my delegation really suffer because they have days when they move from one TV station to another TV station to participate in the debates.

And when I say live talk shows, it means that they are broadcasting live, and all of them have representatives of opposition. Usually there is one representative of majority and two or three representatives of opposition. So it's open and vibrant.

Other thing which we did was, I mean, we--we changed--made legal amendments, and we allowed the opposition to have representative in National Communication Commission.

And that's also steps towards more transparency on the ownership issue, because National Communication Commission is the body which has all information about media and which makes key decisions about technical modalities--how media works in the country and that also includes the ownership issue.

So by allowing opposition, legally allowing opposition to have

representative and by appointing a representative of opposition in that commission, we made a first step towards more transparency. And that includes also ownership. What, again, as I said, I accept that we have to do more about that. And we are already working how we can improve transparency in the ownership.

And the very last point: we made a political commitment that we will set up a special political channel in Georgia, similar to C-SPAN, and that is underway. Together with the NDI, we are now working on technical modalities of the channel, and together with NDI, we have series of public discussions how this channel should work. And in our vision, it will be similar to C-SPAN, and it will give increased opportunity to every political party in politician to have access to the live media.

But on transparency, that's the work in progress and that's something which we should improve, and I acknowledge that.

MR. ELKIND: I think I saw Corey Welk's hand. Corey, you want to put your hand up so? All right.

MR. WELK: Thank you, Mr. Chairman. Corey Welk, Georgetown University.

Most of the interesting questions have been asked already, but I do want to have a follow-up on the question of elections. I think many would agree that the right order--the right sequence is indeed to revamp the electoral code and take all the steps that you pointed out. You yourself have indicated that this process should be complete in time for local elections in 2010.

My question is given the concerns that the opposition has stated about parliamentary elections and some of those concerns have been voiced also by international organizations, why wouldn't it be possible to consider also holding pre-term parliamentary elections at the same time as local elections in 2010, and, thereby, provide the opposition with the way out.

And also second question: you mentioned increasing parliamentary powers over the next few years to decisively increase the strength of parliament as an institution. Could you speak more specifically about what kind of powers you have in mind? Thank you.

MR. BAKRADZE: Okay. Thanks. So first of all, I did not specify what kind of changes we'll introduce to the election code. I said it's an open ended process. But we know at least one element of that process, and that element is conclusions of international organizations received and comments received during the previous elections.

So we had a document from Council of Europe, from (inaudible), from other international organizations involved in election monitoring, with their concrete comments and critiques what was wrong during previous elections.

So it means that we will incorporate all these comments into the new code. And that's something which does not depend on a political consensus because that's something to which we are clearly committed. Those are mostly technical questions which should be resolved, and we are ready to incorporate all those comments into the new code.

So that's one element which is not disputable. And the second element is the political decision where we need consensus and where we need this lengthy political process with political parties. But these comments will be incorporated to the maximum extent possible. That I can tell you in advance. It's not a problem. We have clear political will on that.

As the last year's criticism, yes, we got a number of critical comments, but, all in all, elections have been assessed as expressing the will of the people of Georgia, so I don't think that any international organization or any observer ever questioned the issue that these elections correspondent to the general will of the people of Georgia. So I would not link any prompt elections to the fact that there were some irregularities last year.

Yes, we had some irregularities, and most of them are reflected in these comments, and again, we will accept these comments and incorporate into the next code. But just to give--not to leave you an impression that last year we had bad of elections. In my deep conviction, last year's elections were much better than previous--all previous--elections conducted in Georgia. The difference is that last year we got a lot of international attention. And last year are elections really were under the magnifier. So, a lot of things.

And last year, we had the first competitive elections in Georgia. So when you have competitive elections, when you have a real political struggle and political competition and that all happens under the

magnifier of international community observing those elections, of course, there are a lot of irregularities which appear on the surface, and those irregularities were not that visible during the previous election.

So the fact that we got some criticism last year doesn't mean that we had bad elections. It just meant that we had more transparent and more vibrant and more competitive elections than we had in the past. And, again, we will take those comments.

As of snap elections, I think it's a bad idea not and--not because we as a political party are afraid because by all political polls, we are still in a strong lead. And the last polls conducted by Gallup International and that was a poll conducted together by USAID, by (inaudible) and that was physically conducted by Gallup. These polls indicate that we still have, I mean, more support than almost entire opposition together. So it's not a problem for us to participate in elections.

What is problem is that we believe that these elections are bad for country. Why? These elections are bad for economy of the country, because if we turn back to election cycle now, it means that, I mean, we will further scare investors, foreign investors and domestic investors because election cycle in Georgia, I mean, it's something very dramatic with a lot of energy spent on internal political fight, with a lot of energy spent on criticizing each other. And that is exactly the environment which scares every businessman, not only foreign but our businessmen as well.

So in time of economic crisis, spending that much energy on

internal politics, you know, missing that much money and spending that much money on internal--you know, money. We need to spend money, but we need to spend money to increase the employment of the population, not employment of politicians.

So, I mean, in time of economic crisis, appointing snap elections in something by which we ourselves worsen our economic situation. And that's not good.

And second and more important, I mean, in order to have strong parliament, in order to have strong reforms, one needs regularity and sense of stability in the country. And if the parliament is dissolved every year, there will be no sense of stability and there will be no strong parliament. I mean, if parliament is dissolved every year, if elections are conducted every year, I mean, where does it lead? We move all the time within the same circle, you know? We do not advance.

So okay. At certain point, and have a tradition in Georgia. We have some political parties demanding snap elections. Then they either do not recognize the results of those elections and or boycott elections altogether or do not recognize results and say that well, we demand a new snap elections. And where does it lead us?

At certain point, when we as a majority lose elections, should we then demand to have new snap elections before we win again? And elections is not the way how politicians get employed, and the fact that some politicians did not get results they expected last year doesn't mean that we should have new elections. We should dismiss this parliament

and we should stop the processes--I mean, very positive processes which take place in terms of internal democratization in Georgia. I mean, we should finish the cycle. We should have the sense of stability in the country that, I mean, sense of stability. The work of institutions in the country should not depend on the number of people in the street.

So what is the logic then? If somebody brings 5,000 people in front of Parliament, we do not set snap elections. If somebody brings 50,000 people in front of Parliament, okay, then we set snap elections.

Is it the logic how country develops, how democracy develops? No, of course, not, because, again, what happens then when we lose elections? We could also bring 50,000 people in front of Parliament. Does it mean that then there should be new snap elections until we win again? It's a way which does not lead us anyway.

So snap elections is bad for reforms and it is bad for institutional stability and continuity of policy in Georgia, and it's bad for Georgia's economy. That's why we're against these elections.

And we offer them instead of immediate elections, we offer them the longer-term reform process. Let's reform of election legislation. Let's reform political system so that you approach--you as an opposition--approach next elections in much better in stronger position. And then let's had these elections in scheduled time.

MR. ELKIND: To the gentleman right here--second row, please. Yes.

MR. NORITZ: My name is Dmitri Noritz. And I'd like to ask

a general question which is deeply involved not only your country, but this country. And my question is this: is it possible by your government to reliably protect your borders themselves? It's the crucial question. It's not only--it does not matter who is in power in your country.

MR. ELKIND: Okay.

MR. NORITZ: You understand my question?

MR. BAKRADZE: Absolutely. Yes.

MR. NORITZ: And if I can add to the question and if the answer will be no, then what's the solution? You need to have some aliens--you need to have support from some friendly country to your country. Otherwise, it's impossible. So this is--

MR. ELKIND: The Speaker may have some ideas on this. So, please.

MR. BAKRADZE: Okay. Yes. There are two components of answer. One is that, yes, we can fully control our border except areas which are now occupied by Russian troops. The rest of the perimeter is fully controlled, and Georgia has one of the best order management systems in the region. And we got a lot of assistance from the United States on the border management and border defense issues, so our border management system is one of the best in the region.

So, yes, we can, but in two regions where we have currently Russian troops stationed, and I mean, we never recognized these parts as borders. They are just administrative dividing lines for us, because border is including Abkhazia and South Ossetia. Of course, there we cannot

control border, because we do not have physical access to border. Now it's controlled by Russian border guards and the regular militia troops.

But for the rest of perimeter, yes.

MR. ELKIND: Okay. There's a woman down the aisle down here, who's been waiting very patiently. Thank you.

MS. OMARAVA: Thank you very much. My name is Aziz Omarava. I'm visiting fellow with the SAIS, John Hopkins. And I'm from Uzbekistan.

So my question is if you could allow me to get back to the August war and without any clumsy attempt to give any assessment of the war, I would like to draw your attention to information the warfare that took place between Russia and Georgia. And I would say for that part of the world that's quite unprecedented, because Russia, for the first time, in a quite professional manner, engaged itself in a series of PR techniques. And interestingly enough, in the former Soviet Union absolutely majority of ordinary citizens supported Russia, even though governments was quite neutral and very cautious in giving any assessment in the mass media, if you talk to any people, to my surprise, everyone was supporting Russia.

So my question is: were there any lessons learned for Georgia from that situation or English-speaking world still remains the main--and I'm afraid the only--interlocutor and the only audience for Georgian politicians? Thank you very much.

MR. BAKRADZE: Okay. Thank you. So speaking about information warfare, I mean, that's, of course, something very important,

but one should not understand how (inaudible) our resources are and basically Georgia cannot conduct information warfare against Russia, because we have so limited resources. We can never compete with Russia in resources which they spend for that purpose.

So basically the fact that in the majority of English-speaking or I'll call it free world--majority of free world our story prevails can be explained by only fact that this is a true story. Otherwise, we would never be able to compete with Russians in information warfare.

As of the post-Soviet space, you're absolutely right, and the problem there is that post-Soviet space and these countries are heavily dominated by Russian media. And they are heavily dominated. All of the countries broadcast Russia's TV channels, and the dominating foreign language for local population is still Russian, not English, so absolute majority of population prefers to watch Russian TV channels rather than BBC or CNN or something else.

So it's heavily dominated by Russian media. It's dominated by Russian newspapers. It's dominated by Russian TV channels. And knowing how they worked during and after the war, it's not surprising to me at all that the overall mood of the population is heavily influenced by them and is for supporting Russia.

But I think what seems very symbolic and symptomatic--and you mentioned it rightly--was attitude of governments towards this issue, because, of course, governments are much better informed what really happened in Georgia. And despite the huge pressure from Russia, there

is no government in post-Soviet space so far which recognizes independence of Abkhazia and South Ossetia and which supports Russia in that.

And Russians really exercise huge pressure. And just meeting of Shanghai Organization immediately after the war, where Russians, I mean, exercised huge pressure on all Central Asian countries to support them and to recognize South Ossetia and Abkhazia, and the Russians failed.

And this is very symptomatic, because governments having more diversified sources of information they understand, but otherwise we really cannot compete with the Russians in that space, because Russians have absolute information domination, dominance in that space. It's all dominated by Russian media. But as of the rest of the world, in the free world, in the West, I mean where there is an open society, open media, I mean, open sources of information, I think, despite some facts, despite some publications, despite the fact that Russians try all the time to fabricate or trigger some articles in different newspapers by different people, I mean, all in all, I think we won this campaign. And, again, this can be explained only by the fact that we have the true story, because we all know how huge resources Russians spend and are still spending on promoting their version, their vision of what happened.

MR. ELKIND: Okay. This gentleman right here toward the front. Right there, please. Ah, thank you.

MR. SIMEON: Good morning, Mr. Speaker. My name is

Simeon. I just have a question regarding the breakaway provinces. Is there any ongoing dialogue between the Tbilisi government and the breakaway provinces, for example, in South Ossetia? And what is the composition of the ethnic Georgian population in the breakaway provinces. I understood many were evicted and is there any attempt to repatriate them, reclaim their property.

And is there also any--I know you mentioned that Georgia has recovered most of its infrastructure. What about--is there any attempt by the Tbilisi government to help the breakaway provinces develop their infrastructure as a means of integrating them?

MR. BAKRADZE: Yes. Thank you. So the dialogue--I was myself Minister for Conflict, so I know many people both in Abkhazia and South Ossetia, and I had regular communication with them. And I have still communication with some of them, so. And the dialogue is something which we were offering from the very beginning, and one might remind me so called peace plans, which Georgia submitted, which were approved by OSC, which were approved by other organizations, but they failed an implementation because of the only reason that Russia blocked it in U.N., where it has veto right and in OSC, which works based on consensus. So basically Russians blocked these plans.

And the basic element of these peace plans, Georgian peace plans, were direct dialogue with both population of South Ossetia and Abkhazia. So we have been--I have been personally engaged in that direct dialogue. And, again, I still have communication, but under current

conditions, when both regions are occupied by Russian forces, when all decisions are made in Moscow but not in Sokhumi or Ts'khinvali, when it's no longer a Russian influence, but it's a direct Russian rule of both regions and heavy military presence in both regions.

Dialogue with these two--population of these two regions, I mean, it's more a human dialogue other than political process leading to somewhere, because decisions today are made in Moscow, not in Sokhumi, not in Ts'khinvali. So we continue this communication, but today it's just a human level indication. It's not a political process.

And the only context in which this can become a valuable political tool for conflict resolution is the occupation of both areas, allowance international monitors inside, internationalization of peacekeeping operation, and thus creating a proper context for the direct dialogue between Georgians and Abkhazia and Georgia and Ossetians.

These are the conditions under which the dialogue it may happen. Otherwise, dialogue will be just a human communication, but not a political mean.

But still, we have that--I have that personally and many people in our government try. But again, we need concrete context and framework for the dialogue. And without de-militarization and the occupation of those areas, this dialogue will not lead us to the conflict resolution.

I mentioned two waves of ethnic cleansing, and in Abkhazia, about 75 percent of pre-war population left the region. They had to leave

the region. I mentioned Georgians--about 300,000 Georgians and plus I mentioned many other nationals like Jews--they had a lot of Jews living there--Greeks, Ukrainians, Estonians--basically all of them had to flee. All of them became displaced people.

So now current population of Abkhazia is approximately somewhere by from 25 to 30 percent of its pre-war population, which was in 1990 or 1989; the same for South Ossetia and approximately half of the population. It's also heavily de-populated area, and it happened last year. And, I mean, some of the like from Human Rights Watch, for example, observed how Georgian villages were heavily destroyed--on purpose destroyed--using some bulldozers and other construction equipment from the side of South Ossetia and paramilitaries in presence of Russian troops.

So that's--I mean, there is no chance that these people are back to their homes. And that's the real problem. So we have victims of two waves of ethnic cleansing.

And the last component was economic reconstruction. Yes, that was part of our plan; it was a very successful plan for South Ossetia. We were--we started in 2006 we started heavy reinvestment, because South Ossetia, which is tiny region itself, it was divided in two. Half was administered by my current, so-called leader Kokoev with Russian support; half was administered by another ethnic Ossetian who was loyal to Georgia.

So we started to heavily invest in this half, to show the

difference to people. And we were investing not in military infrastructure. We were investing in schools. We were investing in hospitals. We were investing in swimming pools and gyms. We were investing in discos, exactly to show the difference to the young people on the other side of border that life is not about Kalashnikovs. Life is not about grenade launchers and sitting in the trenches. But life is about pools, gyms, schools, and discotheques. And life is much better than just conflict in military uniform. And it was a very successful strategy.

And up to 2008, there was a daily erosion of the regime in Ts'khinvali and a lot of people joined this half of South Ossetia.

Unfortunately, after Russian occupation, this half does not longer exist, and the majority population had to flee from this area, including this local leader, loyal leader. So this part no longer exists at all our investments have been destroyed. All schools, hospitals, which we built there, I mean, they all have been destroyed.

And now Russians are building military airports there. So that's symbolic. And, by the way, today we provide the region with gas and water. So gas and water supply comes still from, I mean, the rest of Georgia. So.

MR. ELKIND: All right. Ladies and gentlemen, thank you for these good questions. Thank you, Mr. Speaker, for being so generous with your time. Please join me in expressing our appreciation, ladies and gentlemen.

(Applause)

MR. BAKRADZE: Thank you very much. It's a pleasure. I
leave some of the things here.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012