

## **Saakashvili Says Georgia to Turn Corner Next Year**

**Author:** [Sebastian Smith](#)

Economic transformation will help resolve Georgia's armed conflicts, president says on first anniversary of "Rose Revolution".

Tax cuts and the war on corruption and bureaucracy will steer Georgia to an economic breakthrough, which in turn will help resolve the country's separatist conflicts, President Mikheil Saakashvili said on the first anniversary of the "Rose Revolution" which brought him to power.

Speaking on November 18, Saakashvili said he was still confident of restoring Georgian rule over Abkhazia and South Ossetia during his presidency, but stressed he was "not in a hurry" and that economic development was the priority.

"Next year we expect an economic breakthrough," he told a small group of foreign journalists at the Chancellery building in Tbilisi, almost exactly a year after deposing the then president Eduard Shevardnadze.

Full of his trademark energy and optimism, Saakashvili outlined a vision in which Georgia will become a key transit country between the European Union and Asia, an agricultural exporter to the ex-Soviet market, and the most business-friendly state in the former USSR.

He said that "dramatic" change is needed in a country where half the population lives in poverty, and where the Soviet era infrastructure is in ruins.

"Even if we develop with 10 to 12 per cent [economic growth] every year for the next 10 years, we will still be very far behind even the least developed eastern European standards," he said. "We need to take risks in liberalisation [and] we need to open up the economy much more radically than any other country in our position would do, in order to attract foreign investment."

To achieve this leap, Georgia is embracing radical reforms to create the lowest taxes and cleanest government in the former Soviet Union, he said. This is despite concerns from the International Monetary Fund, which worries that tax cuts would be counterproductive. "We are taking a big gamble with the decrease of taxes [and] we are willing to open up the economy, to privatise everything," he argued.

The country is already on the road to recovery, he said. A crackdown this year on smuggling and a multi-million-dollar windfall in controversial "fines" against allegedly corrupt officials has filled Georgia's state coffers with a rare surplus. Next year will see major transport infrastructure projects, including road, seaport and railroad upgrades.

Saakashvili acknowledged that Georgia's hopes of attracting foreign investment would be restricted unless there was a resolution to the decade-old conflicts over South Ossetia and Abkhazia.

He was dismissive of the South Ossetian rebels - who have declared independence, but also say they want to be part of the Russian Federation - and said the conflict there was purely a Russian-Georgian dispute.

Nor was he disposed to accept criticism of his policies in the region, where fighting between Georgian

troops and Ossetian rebels this summer briefly shattered the ceasefire. He insisted he had been right to unfreeze the conflict and to combat cross-border smuggling. "We will not tolerate black holes on our territory," he said.

In Abkhazia, Saakashvili said that Tbilisi faces a more complex challenge that will require it to take the interests of the ethnic Abkhaz into account. "We are flexible and we want to reach out, we want to provide incentives to them," he said. "We are not in a hurry; we need patience, perseverance."

The Georgian leader underlined his intention to stay out of the current election crisis in the unrecognised Abkhaz republic.

Again, he said, the solution to these conflicts should be rooted in economic development, with Georgia providing the incentive. "These conflicts are mainly maintained by poverty and isolation," he said, adding that "we need more traders, not snipers; more truck drivers than tank drivers".

Asked about the possibility of reopening the long-closed railway line from Russia through Abkhazia to Georgia and on to Armenia, Saakashvili said he was in favour of this, as long as Georgian refugees returning to the Gali district of southern Abkhazia were given security guarantees.

On Georgia's stormy and crucial relationship with Russia, Saakashvili expressed some frustration and called on the Organisation for Security and Cooperation to become more involved in the South Ossetian peace process, something Russian and Ossetian officials have so far ruled out.

"The point with South Ossetia and Abkhazia is that they are regions under the control of Russia, so we want more international participation because this is our territory and we want better cooperation between Georgia and Russia," he said.

"Stability here will generate stability in Russia, and the stability of Russia is in the interest of the South Caucasus. Our plan for our relations with Russia is based on the fact that we have common interests in the stability of the region. We'll achieve it if we do our part of the job and you do your part of the job.... It's been a tough dialogue."

Saakashvili said that despite the limited scale of Georgia's armed conflicts, "the main lesson we should learn from what happened here is that the smallest place with instability in the Caucasus can spark a chain reaction everywhere. Some in Moscow don't fully understand how... games in Abkhazia [are] undermining their own security".

The president claimed that polls show him as extraordinarily popular a year into power, and that these ratings will serve as "capital" which he can expend on enacting painful but necessary reforms.

Growing numbers of NGOs and parliamentarians, including some previous close to Saakashvili and his revolutionary team, have accused the government of back-peddalling on democratic values and of bending the law in pursuit of alleged corruption suspects.

But Saakashvili brushed aside this criticism, pointing to the much-welcomed reform of the traffic police - previously a haven for bribe takers - and insisting that he always listens to when NGOs complain about human rights.

He denied allegations that high-profile arrests of Shevardnadze-era ministers and officials have been selective, or motivated by revenge, "Almost all the former corrupt officials have been arrested. Some people of our government were also arrested and are now in prison. The thing is that they must feel the heat."

If some officials get away, that is because they escaped to Russia, where "it's impossible to get them back".

Despite his belief that his first year has been a success, Saakashvili said he was not complacent. The experience of other reformist governments in Eastern Europe, he said, is that wasting time is fatal, "If you don't use the window of opportunity quickly, it will be shut down."

Sebastian Smith is IWPR's Tbilisi-based trainer-editor.

**Location:** Caucasus  
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