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**“AFTER THE ROSE REVOLUTION:
BUILDING GEORGIA'S FUTURE”**

**SPEAKER: ZURAB ZHVANIA,
PRIME MINISTER OF GEORGIA**

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JOHN HAMRE: Thank you very much for coming. My name is John Hamre. I'm the president here at CSIS, and it's my very sincere pleasure to welcome back – and I say welcome back – to CSIS Prime Minister Zhvania. Now, he was not Prime Minister the last time he was here.

ZURAB ZHVANIA: Absolutely.

(Laughter.)

MR. ZHVANIA: Very much not Prime Minister.

DR. HAMRE: But he was part of what seemed to be an impossible dream. You know, it's very rare when people of hope and imagination and courage can genuinely capture the day and make a difference. And you know, we call this the Revolution of the Roses, and it really was – there had to have been times when there were far more thistles and thorns than blossoms in this revolution.

But it took the kind of courage of people again with an astounding commitment and passion for a country, the deepest patriotic love you can possibly have, which is to want to change to make things better, and that was the sort of informing spirit that the Prime Minister brought these last two and a half years, three years. Actually, it's his whole career. He started off in life as a politician dedicated to help with the environment, and little did he know that to solve the physical environment he had to deal with the political environment, and he did.

And so we welcome him back now at a very important time. We were talking – Dr. Brzezinski wanted to meet with the Prime Minister, and talking about how much Georgia has now captured the American imagination, the same sort of spirit and feeling that we felt back in the late '80s. Do you remember those days, when things were all of a sudden changing and there were possibilities? People could feel the possibilities. That's what we now feel now. We feel that now about Georgia. We feel that now about you, Prime Minister, what you've done, what you've done for your country and what you've done for us. I'm grateful that you are here.

Let me just say one last word, and then I'll let you start talking. That's what everybody's here for. I'm always grateful that foreign leaders come to Washington right now because we've become so preoccupied with only one problem, Iraq, and it's a real problem. Don't get me wrong. It's a real problem. We are so preoccupied with that one problem that we can't focus on other things. If you don't come to Washington, we don't hear these other things. We don't work on these other problems. So I thank you. I thank you to come to – for coming to Washington to give us a perspective right now that we

need to have. So ladies and gentlemen, I'm delighted to introduce to you the Prime Minister of Georgia, Prime Minister Zhvania.

(Applause.)

MR. ZHVANIA: Thank you very much, Mr. President, and it is indeed my privilege to be here again. It happened that I addressed an audience at CSIS as the former speaker of the Georgian parliament back in '97, when it was a time of hope during the presidency of Shevardnadze. In 2002, together with the current president Mikheil Saakashvili and Rezo Adamia, we represented here the Georgian opposition to President Shevardnadze and we conveyed the message that Georgia is a country where stability equals democracy and that Georgian society, Georgian civil society possessed the potential to conduct a peaceful transition and to bring to power a new generation of leaders.

And I am indeed very happy to be back here, to this – one of the world's leading international policy centers, institutes, to represent to a government which is actually this new generation of leaders in Georgia, which has emerged as a result of one of the most peaceful revolutions in world history.

CNN and other international TV companies were broadcasting a lot of images of our Rose Revolution, and it gave a certain flavor of romanticism towards what happened in November in Tbilisi—images of the young and also old ladies were presenting roses to the policemen who were supposed to protect Shevardnadze. This became a real symbol of these changes which took place in Georgia. And despite being a country with definitely a Mediterranean and southern temperament, it was an incredible inspiration which allowed hundreds of thousands of Georgians while they were marching on the central avenues of Tbilisi not to break a single piece of glass, not to allow a single case of violence because this revolution wasn't about hatred. It wasn't about destruction. Georgians were fighting for the right to a normal future, to normal development.

But after everything succeeded in a peaceful way after we held the presidential elections and Mikheil Saakashvili got like 96 percent of the vote during the election, which was reported to be one of the most fair and free elections in our part of the world, questions started to arise. Okay, there are so many young, nice sympathetic guys, a lot of them are the best in education, but will they be able to deliver, or will this country run by these sympathetic guys just fall apart? Our government was established three months ago, and it prides me indeed that I can bring during this trip to Washington a lot of stories of success in all spheres, which allows me to state that the Georgian government, which I'm proud to be Prime Minister of, has become one of the most effective, competent governments in our part of the world.

From the very first days of our governance, we started the process of reforms because we do understand that there is a window for – of opportunities for the reform process. Support and confidence from the population wouldn't last forever, so these were lessons, by the way, from the first reformist wave back in '97, '98, when very often we

were late to go ahead with the entire agenda of reforms. So within weeks, we started to reform the Ministry of Defense, Ministry of Interior, and the entire fiscal administration system. We started reforms in education, decentralized power, and reformed how every sphere of life in Georgia was actually managed.

I'm accompanied today by the Minister of Defense, Gela Bezhuashvili, who can tell you a really exciting story of how just within six, seven, eight weeks, he succeeded to change completely the old Ministry of Defense, to fire 18 out of 22 acting generals we had in the Ministry of Defense, and downsized the number in the military. This was indeed, in terms of his – as a human being who was facing lot of threat, really a very brave move, but it gave results, because now our military system has become a much better recipient for military assistance. And this gives us now much stronger ground to look for enhanced dialogue with NATO and expect a strategic shift from NATO towards Georgia and generally the South Caucasus.

Here's my Minister of Finance, Zurab Nogaideli, who was really great to put an end to the absolute chaos we had in the financial and budget sphere, actually the entire time since we are independent. These last two to three months are the first period in independent Georgia's history that we are paying pensions, wages, and allowances of refugees without a single day of delay. We were able to start paying arrears of previous years. It doesn't sound like a giant step for people who grew up in other places, but for Georgians, despite the fact that they're getting still miserable pensions, this means a lot. This means that they again have a sense of confidence, that they have a government which can deliver, which is not just strong with PR, which is not just strong in making speeches, but they can deliver and take care of the problems of every ordinary citizen.

There are a number of really very interesting and dramatic reforms ahead of us. Minister of Interior Baramidze declared a really very ambitious agenda to put completely to an end to the Soviet tradition of militia in our country, and by the end of this year, we are planning to finish a pilot project for the capital city of Tbilisi, where we'll have a completely new sort of policemen with different training, different skills, and actually look in a different manner than policemen in our part of the world. We're going ahead to downsize the number of police by 10,000 people, and this is a pretty difficult and complicated decision. But without this decision, without transforming our interior troops towards more European-type of – [inaudible], we understand that the problem of corruption, which – a nest of corruption always was this Soviet style of law enforcement agencies – we'll never finish.

Actually we can declare victory in the first part of our war on corruption in Georgia. A lot of those individuals who were for years and years representing and symbolizing the system of corruption in Georgia have been arrested. And what is not less important, those untouchable gangsters who were controlling one or other regions of our country are also in prison now. This means that in Georgia, for Georgians and foreigners, there is now real physical security that people can stop paying fees to one gang or another, depending on what way they choose to travel around the country.

It has become a country where there is much more order, much more peace and much more hope for normal development. Certainly, we do understand that this is just the beginning and during my meetings this morning with Dr. Rice and Secretary Powell, I was mentioning that whatever was achieved, was achieved mainly due to the leadership qualities of different ministers, of very brave men and women who were doing their business in all these different agencies in Georgia. But now we're entering a much more complicated phase when we should make all this progress irreversible, when we should make institutions viable which will guarantee that we will never go back to the practices of previous years when Georgia was considered one of the most corrupt countries of our part of the world.

There are implications for regional policy after the Rose Revolution as well. Certainly, at the beginning our neighbors were, I would say, a little careful about this newly emerged Georgian government, but there were really very successful visits of President Saakashvili and myself to Baku and Yerevan, and we enjoy longstanding personal relations with President Ilham Aliyev and with President Kocharian. What was really an inspiration for me was that during my meetings with both leaders I witnessed much more pragmatism in both capitals, much more willingness to look at ways for regional cooperation, to create more of the spirit that we are living in one region and we should enjoy cooperation between ourselves and not just keep the South Caucasus as a battlefield, as a field for constant confrontation between us.

And here is the role which Georgia has requested and has to play for the South Caucasus, to provide more venues for regional cooperation, to invite more of the spirit that, through cooperating with each other, we as a region will really synergize and every individual country will get many, many more advantages.

We are continuing our already traditional exceptional relations with Ukraine, and just an hour ago President Saakashvili landed in Kyiv. This is his first official visit to Ukraine. Ukraine is incredibly important for building a system of regional security in the Black Sea area, as well as certainly is Turkey, who also was, and remains to be, an absolutely significant partner for Georgia and the entire region, and we are waiting in May for the first meeting between President Saakashvili and Prime Minister Erdogan. Turkey, for us, was a border – not just our neighboring and friendly country, but our – Georgia's border with NATO and our attitudes towards NATO are absolutely clear for everybody.

What is very important is development and the real difference – what brings a real difference to the entire region, this is the new status of our relations with Russia. It was symbolic that during his inauguration speech, our president extended his hand toward President Putin and offered to start new relations between Georgia and Russia. Does it mean that all the problems are over? Certainly not, and there are so many things which still should be done and still there is a problem with Russian military bases, still there are unsolved frozen conflicts in Abkhazia and South Ossetia but what we enjoy as a result of this first two months of new relations is a much stronger sense of confidence between leaders, much more cooperation on every particular matter and much less confrontation,

even in media. A lot of you remember that on every occasion during previous years the Russian media was vilifying Georgia and drawing Georgia's portrait as a cradle of all evils against Russia. Now it's really completely different, and we understand that we share so many interests and so many concerns with Russia. So our relations have become much more pragmatic and realistic, I would say. So all this means that Georgia's Rose Revolution presents a lot of new opportunities and advantages for regional development as well, and Georgia, which due to its historic tradition and geopolitical location is supposed to play a stabilizing role, should be considered indeed as a beacon of democratic development in this area, obviously.

We are very glad that the European Union responded to the latest changes in Georgia by inviting Georgia to join the Wider Europe and New Neighborhood initiative. This is indeed very important. For us, being European doesn't mean that we are members of one political club or another. This is indeed for every individual Georgian and for our society a matter of our values, how we grow up, and what we believe. We really believe that Georgian society is a European society. So we want, together with our neighbors in the South Caucasus, to contribute to the European architecture, and we are sure that we can contribute a lot by making Europe more secure and more cooperative in general. We are looking forward to strengthening relations with NATO and once – and once again I want to reaffirm that we believe that the final arrangement for Georgia's security, the most stable arrangement for the security of our country should be found within the Euro-atlantic alliance, and every moment closer toward NATO we consider just as a step towards a final membership in the North Atlantic [Treaty] Organization.

And certainly our relations with the U.S. remain to be determining for our foreign policy. The U.S. invested so much in making Georgia a successful democracy, and I remember years of frustration when a lot of people in this city were saying wow, it seems that money was wasted and Georgia is a failed state. Frustration that Georgians were not able to deliver anything, that Georgians were coming to Washington just with a long list of their problems and people were asking why should we Americans do the job for Georgians when they are doing nothing but just looking at us? Now the situation is changing and now it's time when you see people who were trained by you here in America in very good universities, people who were really inspired by relations with America. You see this really very strong civil society of Georgia, which really made this revolution happen in that very manner which took place, and these are all largely results of incredible efforts from United States.

Certainly, we consider the U.S. to be a strategic partner, and we understand that what we have to do as a partner for the U.S. is to become stronger, more stable and successful as a democracy, to be more reliable and a stronger partner in our part of the world. Georgia participates in the international war on terror in Iraq, not just because we want to please Americans, because we believe that this is our war as well against terror. We know very well in our part of the world what it means to be a target for terrorist attacks, and certainly we will continue to play possibly a role in the operation in Iraq.

We are really facing a lot of challenges. First of all, we need to rebuild our economy to create jobs and provide opportunities to our citizens. We need this to make Georgia a much better and more attractive place for investments. We need not just to celebrate those attacks against criminals, which up to now were successful, but we really need to strengthen the rule of law and make our country an arena for the rule of law. The main dilemma for Georgian politics remains to be the restoration of territorial integrity and full sovereignty of Georgia, and this means dealing with the problems of Abkhazia and South Ossetia, but we're sure that as long as the Georgian state becomes stronger, they as citizens of Georgia will believe that they can enjoy living in a viable democracy. We are much more optimistic these days than ever before.

We are here in the U.S. not just to ask for additional assistance. We are here to say that we are ready to become a serious partner for the United States, and we understand our responsibility; we understand the rules of the game; and we understand the best way to pay back all this assistance is to make Georgia really a success story, unique, and maybe somehow an unprecedented success story in our part of the world.

Thank you very much.

(Applause.)

DR. HAMRE: Let me just say, if I may, Prime Minister, how personally moved I was to hear your words. I have had the opportunity, on many occasions, to listen to people come to Washington and spend all of their time saying what they needed from us, and you gave us a speech that said all the things that you were doing to fix yourself, and I've got to tell you how moving that was to me and I want to thank you for that. It was very inspirational.

You spoke to the question of your interest in NATO and your view that Georgia is a European country. Do you have an internal timetable in mind for when you think Georgia will be ready to take that step?

MR. ZHVANIA: I guess that our minister of defense can address this issue more professionally, but the point is that military reform in Georgia went much faster than we would expect even a couple months ago, and the minister of defense really succeeded in reorganizing the entire system of defense in Georgia. I guess that Georgia can meet a lot of NATO standards much faster than a majority of analysts were expecting.

DR. HAMRE: Questions over here. Is that person – let me ask Prime Minister, obviously this is a sensitive issue and you didn't speak to it in length but you have a very complicated problem with a very large country right next to you, with Russia. Can you give us a sense of how you're going to work through these problems, especially Russian troops on Georgian soil? Is there a general sense of strategy you can share with us to deal with such a difficult and complex problem?

MR. ZHVANIA: Well, we became experts at dealing with this really quite complicated neighbor, but in the last several months we have really enjoyed a much better understanding with Russia. We should recognize that there were, during previous years, some concerns on the Russian side which were not addressed properly by the Georgian leadership; concerns about the security situation towards Russia and concerns about the presence of Chechen fighters on Georgian territory. Now we're making it very clear that Georgia is absolutely open to cooperation to make the Caucasus a more secure place. We are ready to cooperate with Russia. We are absolutely open to making sure that there are no – (inaudible) – in any other place in Georgia. There is no one who would threaten the security interests of Russia.

At the same time, we hope that we will get a much better understanding from Moscow that the presence of Russian military bases in Georgia never serves the interests of making our bilateral relations more friendly. It's a constant source of problems for Georgia and problems for Russia. So we hope that this sort of rapprochement between our countries will result finally in decisions on military bases, in decisions to find solutions for conflicts in Abkhazia and South Ossetia.

DR. HAMRE: Prime Minister, these are hard questions, but let me ask given this evolving relationship with Russia, what is your policy regarding Chechens who seek refugee status in Georgia?

MR. ZHVANIA: Well, Georgia has always received refugees from Chechnya, and certainly we will continue to receive refugees, but that doesn't mean that we will allow any armed people to use the Georgian territory as a harbor.

DR. HAMRE: Prime Minister, can you discuss with us your energy sector. Energy is always problematic, but it is so crucial to the development of society. It has had a history of corruption. Where do you stand now, and what are your plans in the energy sector?

MR. ZHVANIA: It was unbelievable the degree of corruption we discovered after we entered the government offices, especially in the energy sector. I keep saying that some of the cases were really state of art-- how to steal money from your own people. It was indeed unbelievable.

We now have a minister of energy who's just 29 years old, but I have to say that he is the most competent minister of energy this country has ever had. We started just six or seven weeks ago with the new minister, and already we have had results because he has brought much more transparency to finances in this sector where he produced a very clear 16 month plan to reconstruct the energy sector in Georgia. So I'm sure that during this year we will have a very significant improvement in Georgia's energy sector, and what is very important for us is that we will make the energy sector in Georgia much more attractive for investments, and this is the only way to develop strategically in this area. We declared, by the way, energy reform as the number one priority for 2004.

DR. HAMRE: Prime Minister, how about tax reform? I mean, this is one of the areas that's always problematic anytime, but the questioner was asking especially in the area of cigarettes and petrol.

MR. ZHVANIA: Well, if we're talking about collecting revenues, during the first three months of this year, the revenue collection increased really dramatically, almost by 60 percent, and we expect even more. And first of all, in the area of taxation of cigarettes still a lot should be done. In the taxation of petrol, we have made a lot of progress. Generally, the main task for our fiscal administration is to increase the legal sector of our economy from 50 to 80 percent by the end of June. This is the target which was set by me and my government to the fiscal authorities. It means reform in customs services, tax inspection, and so on.

At the same time, we started discussion on a really dramatic reform of our tax code, tax legislation, and in June, we hope parliament will support the new tax code of Georgia, which will bring more liberal regulations. We will have decreasing rates of some taxes, increasing excise taxes, but generally our tax legislation will become much more transparent. We will avoid this double and sometimes triple interpretation and it will be liberalized strongly in comparison of what it is right now.

DR. HAMRE: Prime Minister, you should be very flattered because the more you talk the more people want to ask you questions. I haven't quite seen this before so congratulations.

Can you talk to us about your view on Ajara and relations especially with the Ajaran leader Abashidze?

MR. ZHVANIA: Well, certainly this is right now one of the most tense issues on our current agenda, and Abashidze presents a big headache, not just for Georgian leadership, but generally for our country, and first of all, for the population of Ajara. The point is that Abashidze is sort of a continuation of the former Shevardnadze government to whom he was always opposed, but for Shevardnadze it was absolutely necessary to have Abashidze with his black hole for smuggling, for trafficking to explain constant failures in economic policy, to explain some strange moves in political balancing and so on. But it is very difficult to imagine Abashidze as part of the new Georgia.

I was in Batumi 10 days ago and I offered to start disarmament, to start talks on disarmament, and we were guaranteeing that he could stay in his office until the end of his term but we were demanding he respect basic human rights, to stop terrorizing his political opponents, to stop attacking violently journalists, to allow more or less normal elections. He destroyed two times during last month's parliamentary elections in Ajara and to disarm people – to disarm his supporters. We offered that he keep some personal security forces to have a guarantee for his personal security, but a situation where the entire population of Ajara is really terrorized cannot continue. Unfortunately, Mr. Abashidze refused even to start talking about this.

I want to make it very clear – and sorry to take so long on this issue, but this is one of the most principled issues – the dispute is not a dispute between the central government and Ajara. This is not a personal confrontation between Saakashvili and Abashidze. This is a problem of human rights, smuggling, drug trafficking through Ajara, and a problem of restoring normal democratic order in our country. And first of all, we have to defend the rights and freedoms of our citizens in Ajara, where, by the way, both the president and our party got an incredible majority of the votes during all the previous elections.

DR. HAMRE: Prime Minister, the questioner here asks specifically who makes the first moves of rapprochement with Abkhazia and what would those moves be?

MR. ZHVANIA: Well, it's now a very difficult period in Abkhazia because it's very uncertain who will become a successor after Vladislav Ardzinba who, due to his health problems, is really not really controlling any longer the situation in this secessionist region. We're waiting for the new leader of the separatists to be elected this fall and we hope that with a new leader we can go much more successfully in negotiating status for Abkhazia within the Georgian state.

I should say that we are ready to consider the broadest extent of political self-governance and political autonomy for Abkhazia. Nobody questions this in Georgia's political class; whether it be the present government or the previous or the opposition, everybody agrees that Abkhazia should enjoy really the largest extent of political autonomy. Progress in Abkhazia will depend very much on how successfully we develop with the Russian Federation as well. The so-called Geneva format for talks on Abkhazia with the U.S., Germany, France, the U.K., and Russia participating as a group of friends of the secretary-general of the U.N. on Georgia is important, but certainly Russia possesses specific tools in Abkhazia. We're not saying that Russians should solve this problem alone and it wouldn't be correct to say that you created the problem and now you have to solve it for us, but what we're looking for is for them to stop fueling separatism in Abkhazia, to stop any sort of military or economic support to the separatist regime there, and to go ahead with sincere policies to solve this frozen conflict, which will be extremely important for the entire South Caucasus, not just for Georgia.

DR. HAMRE: Prime Minister, there were a good number of Georgians who left during the difficult years. What are your thoughts about how to encourage the return of those people that decided to leave?

MR. ZHVANIA: Some of them became members of our government, I should say – (laughter) – but this is not the way to bring all of them back. We're trying to downsize the government especially the members of Cabinet. But well, isn't it time for those Georgians who are well educated, well trained, and skillful to be back in this country, because there are really a lot of opportunities around now, and for us this is very important part of our policy to create incentives for all these people to be back in Georgia and to make their business in our country.

DR. HAMRE: Prime Minister, you talked about encouraging foreign investments and bringing energy back in – or bringing investment back into the country. What is your sense of the best places to start? What are you seeking? How would you speak if this were an audience of businessmen; what would you be proposing to them?

MR. ZHVANIA: Well, I can start another presentation which will take maybe one hour but to put it very shortly, certainly we are prioritizing the main spheres of our economy where we are first of all trying to attract investments. Georgia possesses real potential to develop agriculture, and processing in agriculture will be a very important priority. We're now actually re-establishing Georgia as one of the very important tourist destinations and not just for our former and traditional tourist market which was Russia and other CIS countries, but also for Western tourists, and this will be a very important area for investments.

One of the main priorities is the development of infrastructure in Georgia, and we have very intense talks with some big European companies to start construction of a highway from Poti to the border with Azerbaijan in Georgia, to rehabilitate roads which are in awful condition right now in Georgia, and generally to bring more development to the regions of Georgia. This is for me personally a very important priority to make sure that investments are not just put in Tbilisi but also create more employment opportunities and development opportunities in different regions of Georgia, and here we are considering pretty specific projects, including the creation of free economic zones, which we do not see as a panacea, but still we believe can play an important role to bring development to some of the more remote areas.

DR. HAMRE: Georgia has written a Freedom of Information Act. It's obviously quite an important development. Do you feel that you now have in hand most of the formal steps towards transparency or are there other things that you feel are still needed?

MR. ZHVANIA: Well, certainly still much more is needed. By the way, in the parliament there are two or three new MPs who were the main lobbyists of this Freedom of Information Act, and we were conversing just a week ago and their plan during the first weeks of the new parliament is to go ahead with upgrading and strengthening the regulations for the Freedom of Information Act. Certainly, if I would be in Georgia I would tell the audience that we are very transparent, but here you know that in the world a really and fully transparent government doesn't exist. It's a matter of comparison so –

DR. HAMRE: Finally, and I know you have a firm obligation to leave but one last question and then I want to make concluding remarks. Back on the question of economic development, what are the specific incentives that you have in mind that would be important to encourage the international community to look to Georgia? Tax incentives – you spoke of economic zones, what else do you have in mind to try to land the success of the economic recovery?

MR. ZHVANIA: Well, Georgia will have a much more transparent and easy to deal with tax code. Georgia has a location which allows businessmen who are investing in Georgia to deal not just with Georgia, but to have access to a much broader market, and I want to remind everybody that Georgia indeed is a gateway to an incredibly interesting and rich region, the region of the South Caucasus and Central Asia. And the main incentive, I will say, would be that I'm sure that Georgia will be an exceptional country to have very non-corrupt governance, effective governance which will allow investors to start investments by one stop shopping. It will be really exceptional to lift all those bureaucratic barriers which are normally spoiling so much life for every businessperson. This is one of our main ambitions and the main target we want to achieve during this year.

DR. HAMRE: Prime Minister, thank you. You've taken the largest number of questions and answered them more succinctly than any other person I've had here since I've been here four years. So I want to thank you both for the richness of the presentation that you gave us and the openness of your – and willingness to take very hard questions. It's a measure, I think, of the wonderful leadership that Georgia now has that's the product of this great Revolution of the Roses.

If I might make a small presentation. It's customary among the American Indians that when two tribes met they would meet and symbolically share this friendship with what's now called a peace pipe.

MR. ZHVANIA: Yes.

DR. HAMRE: So on behalf of CSIS and all American people we would like to present you an American Indian peace pipe.

MR. ZHVANIA: Thank you.

(Applause.)

MR. ZHVANIA: This is the only place in this city where I will say that smoking is promoted.

(Laughter.)

DR. HAMRE: We have a few minutes. On the way out come up and greet the prime minister and thank him personally.

(END)