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DEMOCRACY IN THE SOUTH CAUCASUS

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Analysis

Oil Wealth, Patrimonialism, and the Failure of Democracy in Azerbaijan

By Farid Guliyev, Bremen

Abstract

Azerbaijan's democratization attempts failed, not least because for those in power, control over the political process was essential in order to gain and maintain control over the country's petroleum riches. Organization of power along patrimonial lines defines the system that Azerbaijan's late president Heydar Aliyev created during his long rule and which his son, Ilham Aliyev, continued. This system distributes rents from oil exports through a patronage network in order to ensure the support of allies and various clientelist groups. The high oil-price environment of 2003–2008 brought an enormous increase in revenues from oil exports. Since about 2005–06, the government did not even care to maintain the façade of democracy as it did during the 1990s. The drop in oil prices will probably make the government pursue a more careful policy, but political change is unlikely as long as the system remains based on sharing the spoils from oil exports and keeping the public marginalized and powerless.

An Authoritarian and Corrupt Regime

On December 30, 2008, Azerbaijani authorities turned off BBC, Radio Liberty and Voice of America broadcasting services, effectively denying their citizens access to independent sources of information and the few remaining venues of debate on issues of public concern. Only a few days earlier, on December 26, the majority of Azerbaijani parliament members called for a referendum, set to be held on 18 March 2009, to amend the country's constitution from 1995. The proposed constitutional reform would abolish the rule that the same person cannot be re-elected as president after serving two terms in office. If adopted, this amendment would enable incumbent Ilham Aliyev to run for a third term after his second term expires in 2013; and then to remain president for an indefinite period of time. Aliyev, now 47, was elected president in 2003 for a five-year term, succeeding his ailing father Heydar Aliyev. In the controversial October 2008 election, which the main opposition Azadliq (Freedom) party bloc boycotted, he won a landslide 89 percent of the vote, a slight gain compared to his 76.8 percent showing in 2003.

The latest attacks on democracy and free media are not surprising; in effect, they mark the culmination of nearly 15 years devoted to forming an authoritarian political regime whose entire support mechanism rests on the availability of energy resources and the division of spoils from the export of petroleum. Petroleum revenues provide the vital resource to be exchanged through the web of patron-client relationships spanning the patrimonial system of authority, which is tantamount to a "personal fiefdom" of the ruler. The state works along clientelistic lines: the governing elite (patron) supplies benefits and favors to its supporters (clients) in exchange for political

support and loyalty. More visibly, political clientelism manifests itself in the wide-reaching spread of graft and rent-seeking. In fact, Azerbaijan figures today among the most corrupt countries of the world: Transparency International's 2008 Corruption Perception Index ranked Azerbaijan 158th among 180 countries. The country appears in the same group as Burundi, the Republic of Congo, Sierra Leone and Angola.

If in the 1990s the form of government in Azerbaijan was duly described as semi-authoritarian, i.e. neither democratic nor outright authoritarian, by the early 2000s the regime moved in the authoritarian direction. In fact, democracy never took root in Azerbaijan. Azerbaijan falls into a group of countries from the southern belt of the former USSR, which after 1991 did not see a movement towards democracy and freedom as in the Baltic States, but the rise of repressive regimes and odious dictators (the most notorious example being the late president of Turkmenistan, Saparmurat Niyazov) or the establishment of hybrid regimes which blend democratic and non-democratic features (such as the one in Armenia).

It thus comes as little surprise that Azerbaijan does not fare well in international rankings on democracy and press freedom: The Polity project which provides an independent assessment of authority trends in all independent states has kept Azerbaijan's score at "–7" since 1998 (after Heydar Aliyev's re-election for a second term) on a 21-point scale ranging from "–10" (hereditary monarchy) to "+10" (consolidated democracy). On the Reporters Without Borders' annual Press Freedom Index, in 2008 Azerbaijan ranked 150 out of 173 countries. IREX, another media audit organization, in its 2008 Media Sustainability Index assigned a score of 1.84 to Azerbaijan on a scale from "0" representing unsustainable, anti-free

press to “4” representing free and sustainable media. The ban on foreign broadcasts starting January 2009 completes the tide of restrictions on free media.

Oil and Democracy

There are multiple reasons for the failure to democratize, but a country’s abundance in natural resources tends to hinder the establishment of democracy and freedom. Political scientists, notably Terry Lynn Karl and Michael L. Ross, write widely about the “resource curse,” identifying several negative effects of a country’s dependence on a single resource, especially petroleum. In countries afflicted with the curse, natural resources are regarded as the only chance to develop. The state is thus eager to control the oil and gas industry via a national monopolist, such as a state oil company. With the influx of foreign capital into the enlarged public sector of the economy, the state grows and becomes stronger (in its capacities), whereas private businesses largely depend on government contracts, which are usually distributed to regime collaborators in return for political support or loyalty. Crony capitalism, understood as the system in which members of the government distribute economic favors to their personal connections, thus flourishes. This system allows the oil-rich government to control the rest of the economy and to gain autonomy from the public by implementing its decisions without relying on public taxes.

Since petroleum-rich countries are located mainly in the developing world where weak political institutions prevail, they must usually build their political systems at the same time as they develop the petroleum industry, with the industry exerting a negative effect on the institutions. In conditions with few restraints, high petroleum income creates an incentive structure for the political and economic elites to grab their part of the oil revenue “pie.” Hence, petroleum revenues foster rent-seeking and corruption, and undermine the development of democratic institutions and free market structures.

Moreover, oil inhibits democratic transition and helps authoritarian rulers survive through various mechanisms. The first is the rentier effect: Oil-rich states do not need to tax their citizens because they enjoy high profits from oil exports. They also do not have to listen to their people or represent them as there is “no representation without taxation.” Second, oil wealth leads to greater patronage spending, which, in turn, reduces pressures for democratization. Another aspect to the spending effect is that a rent-seeking government seeks to gain popular support by spending on social projects to diffuse opposition. Third is the group formation (or

civil society) effect: oil revenues provide an authoritarian state with resources to prevent independent social groups from forming. Fourth, an overabundance of oil revenues stimulates greater repression as it allows the oil-abundant state to spend excessively on the armed forces, police and security agencies that can be used to silence pro-democracy forces. As a result, the state demobilizes society and deprives it of the ability and means to counterbalance state policy.

Towards the Formation of a Petro-State

At the time of Azerbaijan’s independence from the Soviet Union, the political leaders knew full-well that the only viable option to quickly restore a shattered economy was to revitalize the petroleum industry, which declined during the late Soviet period. Petroleum shaped much of the modern history of this country, which was home to the world’s first drilled oil well in 1848 near Baku, then part of the Russian Empire. By the early 20th century, Azerbaijan produced almost half of the world’s oil. After a short-lived independence in 1918–1920, Azerbaijan was incorporated into the Soviet Union to serve as a hydrocarbon supplier for the Soviet economy. In the early 1990s the Azerbaijani Popular Front-led national independence movement took an anti-Russian position and sought sovereignty over its resources. Yet, a shortage of capital and the lack of modern technologies to extract technologically-complicated offshore reserves prevented Azerbaijan from developing its resources independently and forced Heydar Aliyev’s government to attract foreign investments into its oil industry.

The desire to stay in office provided another motive for securing foreign investments. Typically, the leaders of oil-abundant states use their mineral riches to prolong their tenure as chief executive. After years of political turmoil and the military defeats against Armenian-backed Nagorno-Karabakh forces, Azerbaijan’s first president, Abulfaz Elchibey, resigned under pressure after only one year in office in 1993. Heydar Aliyev won election to the president’s office in his place. Aliyev, who ran the country for much of the late Soviet time – first as First Secretary of the Azerbaijani Communist Party (1969–82) and later a member of the communist Politburo and USSR Deputy Prime Minister (until 1987 when he was ousted by Mikhail Gorbachev) – needed direct access to the country’s oil export revenues in order to maintain his hold on power and only foreign investment in the petroleum industry could ensure that these revenues would start flowing.

The government of Azerbaijan and the BP-led Azerbaijan International Operating Company consortium

(AIOC), in which the Azerbaijan State Oil Company (SOCAR) obtained a 10 percent share, signed the first major production-sharing agreement (PSA) for the offshore Azeri-Chirag-Guneshli (ACG) fields (with an estimated 5.4 billion barrels of oil) in 1994. Since then, Azerbaijan has concluded more than 25 PSAs to develop oil and gas deposits onshore and in the Azerbaijani section of the Caspian Sea. ACG started producing oil in 1997, though only at a small scale. The launch of the Baku–Tbilisi–Ceyhan pipeline (for ACG oil) and the South Caucasus Pipeline (for Shah Deniz gas) in 2006 began the era of large profits. According to country expert Sabit Bagirov, revenues from PSAs began flowing into Azerbaijani government coffers before the production of the “early” ACG oil in 1997.

The government used the oil-related bonuses it received beginning in the early 1990s to cover budget deficits, finance social projects, and stabilize the exchange rate of the national currency through 1999. Typically, the public funds for social projects flow through a knot of bureaucratic agencies, which use their positions to extract profits by direct access to the funds and through various techniques of bribe inducement from the final recipient. Moreover, since all oil contracts had to be negotiated with the president, foreign companies and Western governments courted the chief executive, giving him a great deal of external and domestic legitimacy. Therefore, oil and gas exports enriched the government coffers and contributed to regime stability, allowing the government – through patronage, public spending and rent-seeking – to buy public support and undermine civil society institutions.

Oil Dependency

Azerbaijan has enjoyed a new era of abundance since 2005, particularly since the BTC came on stream a year later. An increase in oil production made Azerbaijan one of the fastest growing economies in the world over the last five years. It would not be an exaggeration to say that the Azerbaijani economy exists on the basis of its oil exports and revenues. According to Ingilab Ahmadow, Director of the Public Finance Monitoring Center in Baku, oil makes up 52.8 percent of GDP, 64 percent of budget revenues, and 80.6 percent of exports. On this basis, the country’s economy expanded with an average real GDP growth rate of 21.1 percent between 2003 and 2007 and about 13 percent in 2008. According to the Economist Intelligence Unit’s forecast, in the coming two years, GDP growth will slow to an average rate of 6.8 percent due to currently low oil prices. While state budget revenues were \$4.3 billion in 2005, the recently

approved national budget for 2009 envisages \$15.11 billion in revenues (based on an average oil price of \$70 per barrel). If the price of oil stays at \$45 per barrel, by 2025 the ACG contract alone will generate nearly \$150 billion. With a higher price on oil (\$60 per barrel) by 2025, the total revenues may exceed \$200 billion.

Azerbaijan is not only very vulnerable to falling oil prices, but its oil will also not last forever. According to data from the BP Statistical Review of World Energy (2008), Azerbaijan holds only about 0.6 percent of the world’s proven oil reserves and produces around 1.1 percent of the world oil output. If production continues at the current level, the remaining reserves of oil will last for about 22 years. Oil production will peak in 2010. According to a World Bank study, budget and State Oil Fund revenues will also peak in 2010. Even according to calculations based on a relatively moderate price of oil (around \$60 per barrel), the country’s annual revenues may well remain in the range of \$10–15 billion, at least in the years of peak production (peak production was supposedly reached in 2008 and could last until 2012).

The Role of SOCAR and SOFAZ

In addition to the budget, Azerbaijan’s oil wealth contributes to SOCAR and the State Oil Fund (SOFAZ, <http://www.oilfund.az/en>), two state organizations under exclusive presidential control. Since the parliament has only a marginal political and oversight role, the president faces no constraints in spending the country’s national wealth. His natural wish to stay in office drives his calculations on where and how to allocate wealth; the result is that the calculus of power maintenance and political survival drive economic policy making. Confirmed by a presidential decree, SOCAR’s 2004 legal charter envisages that the company “may be reorganized and terminated by the President of Azerbaijan Republic”. Nearly half of all government spending runs through SOCAR, which has its own budget that is independent of the state budget.

SOFAZ is also under presidential “jurisdiction.” A 1999 presidential decree established the body as an “extra-budgetary institution,” making it “accountable and responsible to the President of the Republic of Azerbaijan,” while leaving no role for the parliament to scrutinize the president’s unrestricted powers to determine the national oil fund’s expenditures. As of 2008, SOFAZ had accumulated \$10.21 billion. SOFAZ Executive Director Shahmar Movsumov predicts that by 2023, SOFAZ’s funds may reach more than \$200 billion. Without any overarching long-term development strategy, the governments of the late Heydar Aliyev and

the successor government of Ilham Aliyev have spent SOFAZ money on various infrastructural and social projects, including financing Azerbaijan's share in the BTC, improving the living conditions and providing accommodation for refugees and IDPs, constructing a water pipeline from the Oguz/Gabala area to Baku and the Samur-Absheron canal, and financing Azerbaijani students' education abroad. Some SOFAZ funds have also been transferred to the state budget to be further used to cover the increase in the number of public sector employees and their salaries, sponsor state investment projects, build up the military (national defense expenditures rose to \$1.85 billion in 2008, up from \$1.1 in 2007) and support other public projects.

Outlook

Petroleum has helped the Aliyev governments to enhance their capacities to pre-empt any challenge to their hold on power. It contributed to the disappearance of democratic elements of the hybrid regime of the 1990s and the consolidation of a highly personalistic regime thereafter. The state owns the country's oil resources through the national oil company which reports to the president, not the parliament; oil revenues are collected in the state oil fund which is also under presidential control.

Since so much depends on oil, the country's economy is especially vulnerable to adverse effects of boom-and-bust cycles. If low prices persist at or below \$40 a barrel, the government will most likely have to cut back on projected government expenditure plans, and, perhaps, call off some of its over-ambitious public spending projects. The government will suffer a loss in extra revenues that it would otherwise have earned and invested in sustaining its support constituencies, but whether the recent fall in prices is going to translate into political instability or political change remains to be seen.

First, like other resource-affluent states, Azerbaijan has stored part of its earnings from oil in the state oil

fund, which can be used to avoid shortages during bust periods through, for instance, transfers to the state budget. *Euromoney* reported on January 6, 2009, that with an oil price of \$100 per barrel in September 2008, SOFAZ was collecting \$2.5 billion a month, with the oil price at about \$50, the fund still gains \$700 million a month. In an interview with *Euromoney* published in the same edition, SOFAZ Executive Director Movsumov claims that \$40 a barrel would still provide the state fund with about \$200 billion in revenue over the next 15 years. The reason is that production costs are relatively low and even at \$40 a barrel, profits are still considerable. Therefore, it is premature to speak about an economic crisis in the case of Azerbaijan. Real problems can be expected to occur when the country runs out of oil and the government's revenues fall dramatically. Nevertheless, economic crisis will be one of the most probable drivers of regime change in this Caspian petro-state.

Second, the stability of the regime depends on the ruler's personal survival backed by his informal network of patronage and clientelism. Comparative research shows that personalistic regimes are not the best candidates for democratization since they are least vulnerable to internal elite splits, usually breaking-down at times when the ruler dies or the economy collapses. The patrimonial leader's inner circle is usually composed of his family members, close friends and cronies who benefit from sharing in the spoils and enjoy favors provided by the ruler. Since their well-being largely depends on the survival of the dictator, they have few incentives to initiate or participate in opening the regime. Rather, they favor the maintenance of the status quo and, consequently, support the regime and ruler. Moreover, petro-dollars help keep the society demobilized and incapacitated. Absent any serious economic hardship or succession crisis, these factors render democratic political change in such conditions especially hard to achieve.

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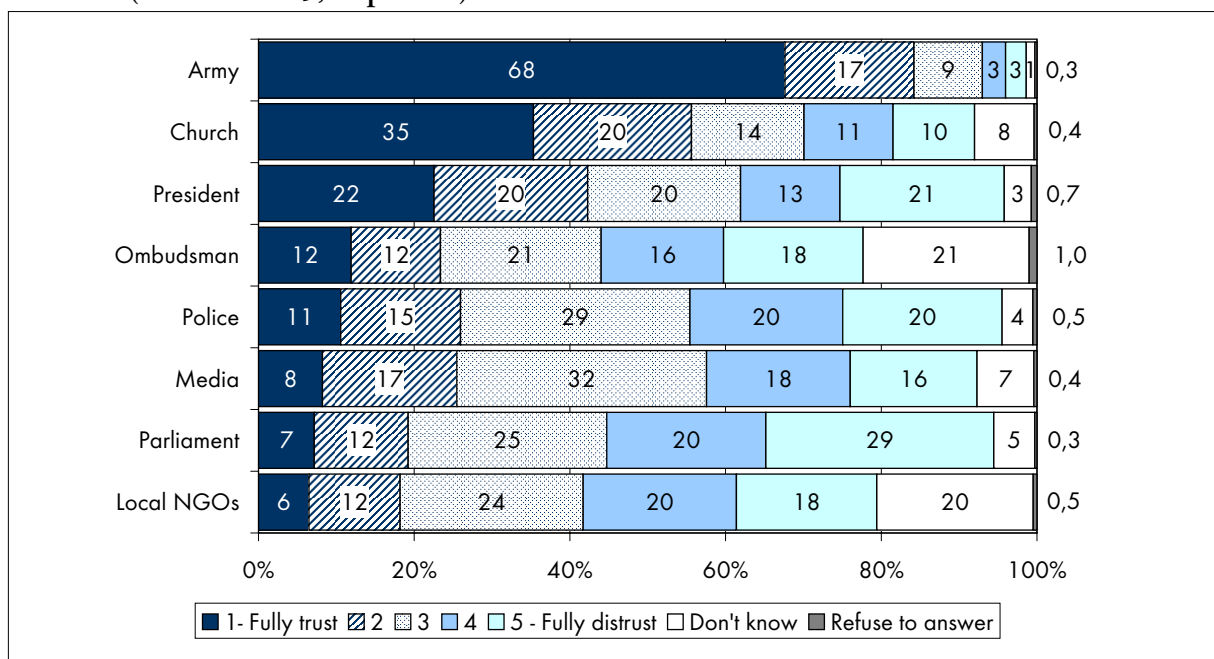
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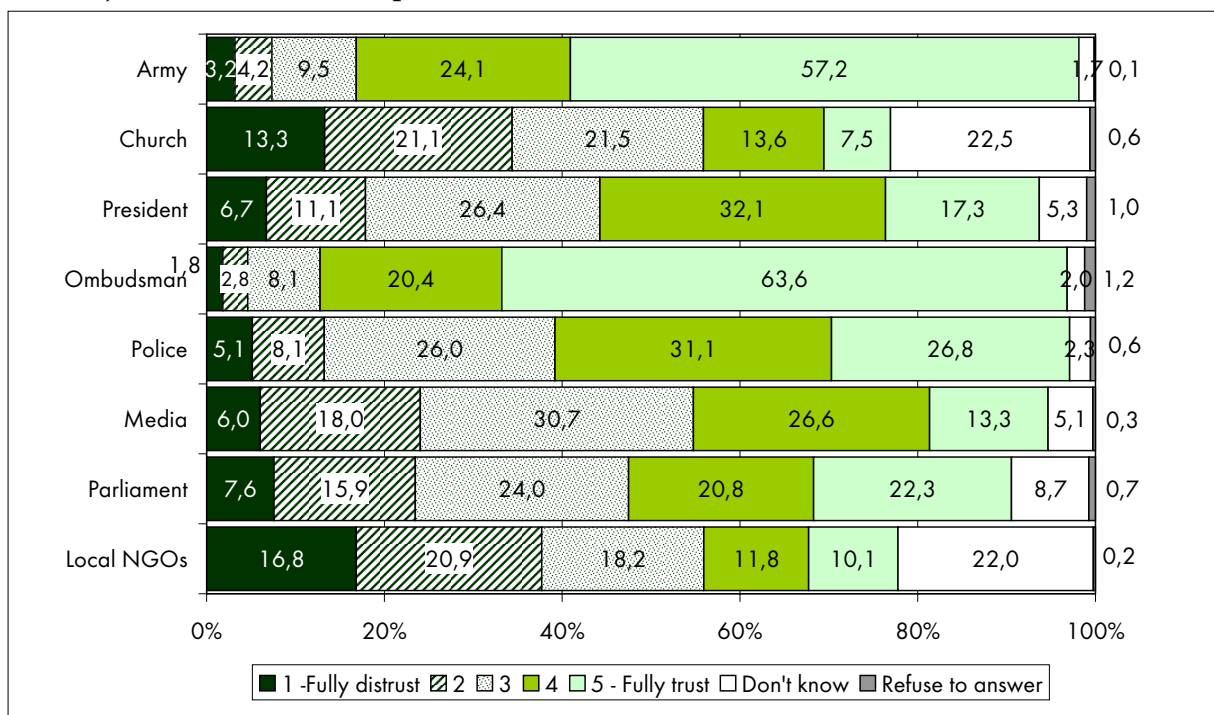
Opinion Polls

Trust in Institutions of State and Society in the Countries of the South Caucasus

Armenia (Scale of 1 to 5, in percent)



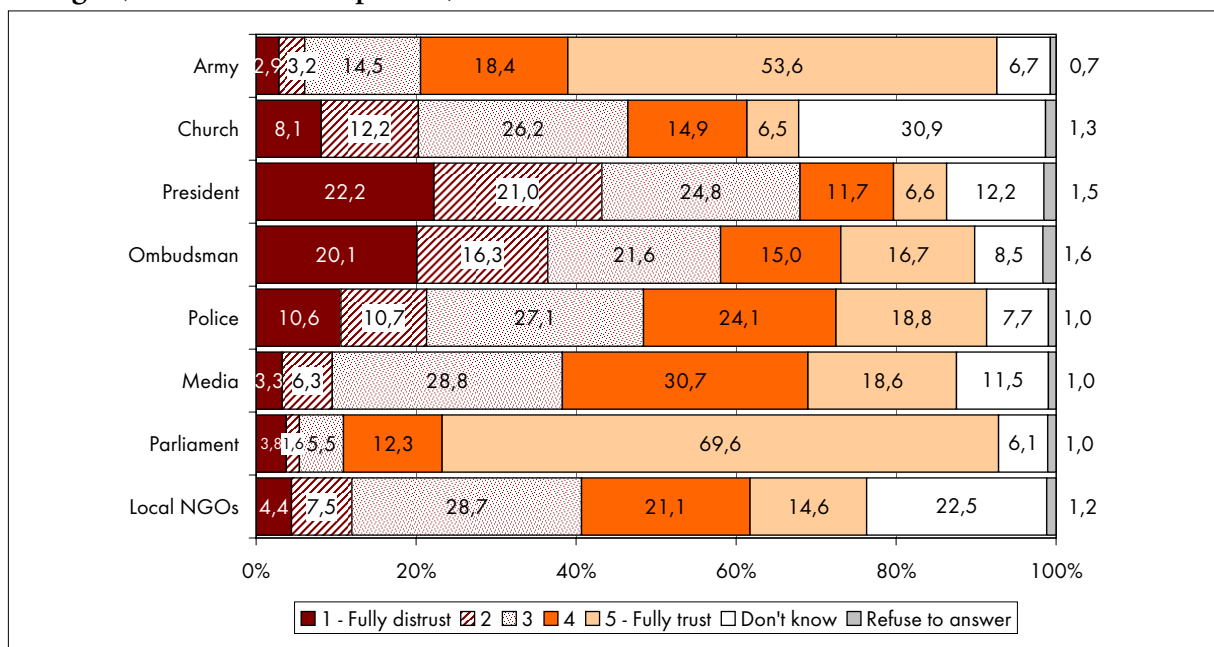
Azerbaijan (Scale of 1 to 5, in percent)



Source: Caucasus Research Resource Centers, Data Initiative 2007,

<http://crrc-caucasus.blogspot.com/2008/10/comparing-civic-participation-caucasus.html>

Georgia (Scale of 1 to 5, in percent)



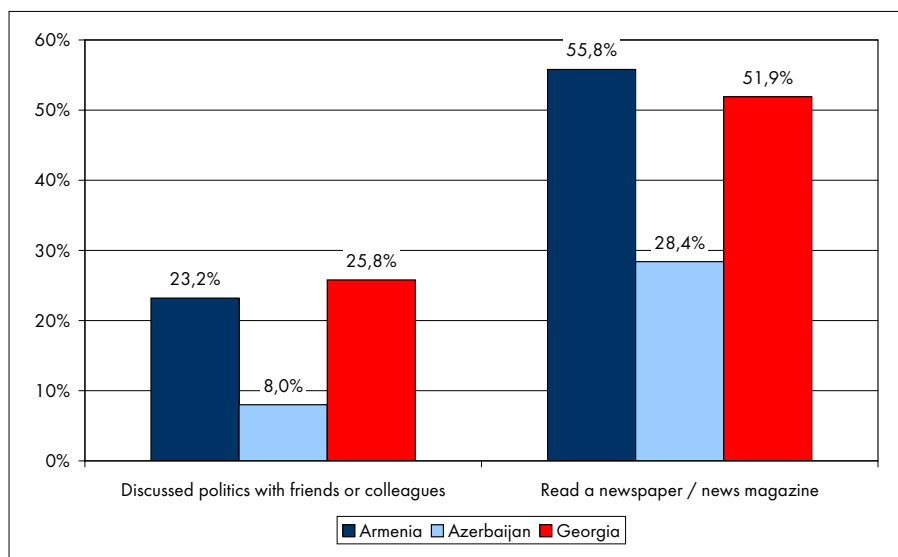
Source: Caucasus Research Resource Centers, Data Initiative 2007,

<http://crrc-caucasus.blogspot.com/2008/10/comparing-civic-participation-caucasus.html>

Documentation

Interest in Politics and Civic Engagement in the Countries of the South Caucasus

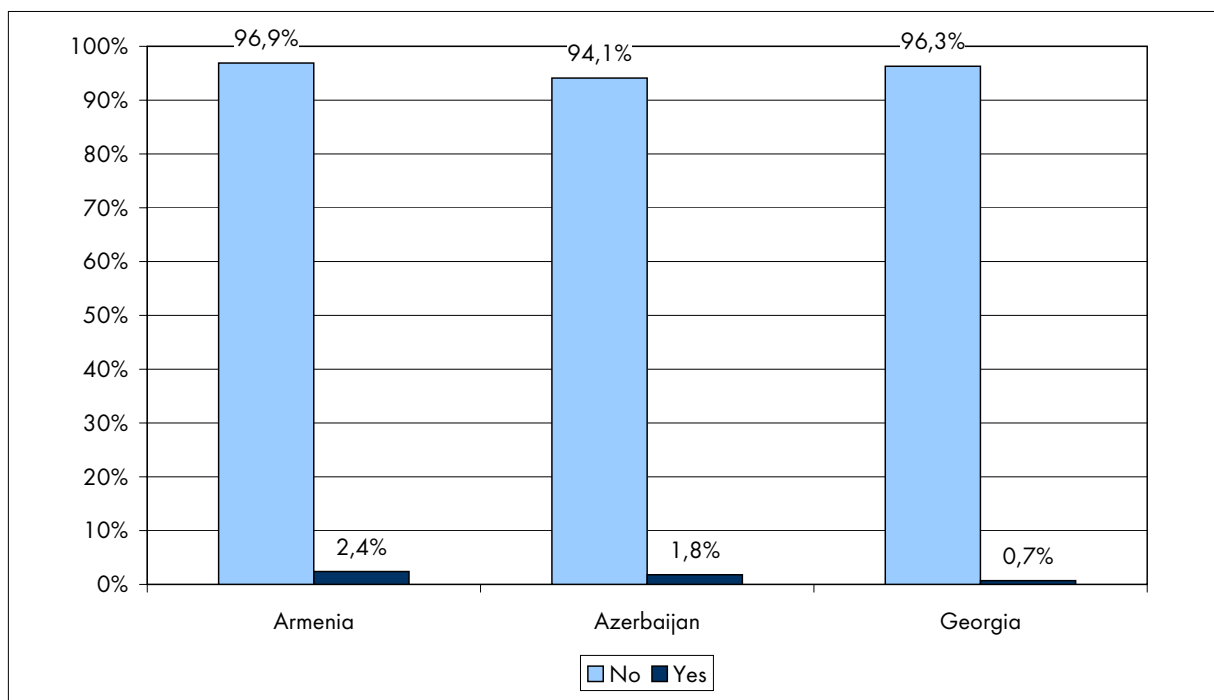
Did You Discuss Politics with Friends or Colleagues or Read a Newspaper/News Magazine Within the Last Six Months?



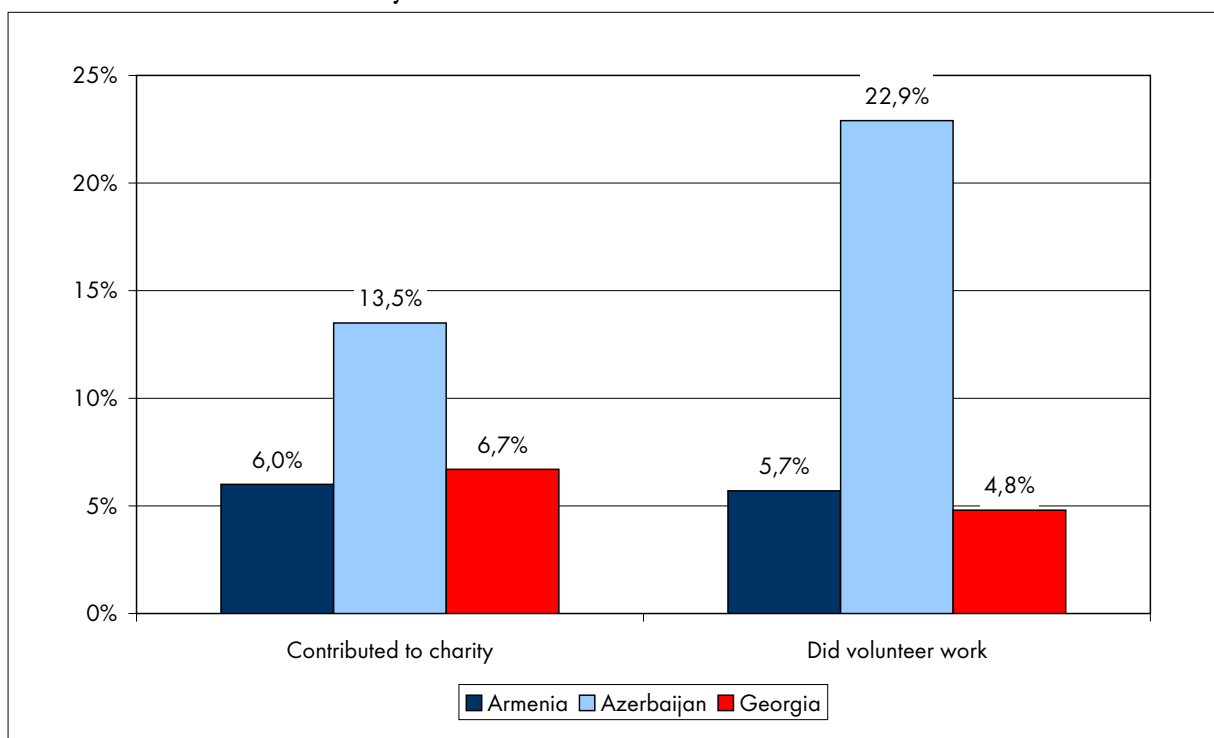
Source: Caucasus Research Resource Centers, Data Initiative 2007,

<http://crrc-caucasus.blogspot.com/2008/10/comparing-civic-participation-caucasus.html>

Did You Go to a Meeting of a Club or Civic Organization Within the Last Six Months?



Did You Contribute to Charity or Do Volunteer Work Within the Last Six Months?



Source: Caucasus Research Resource Centers, Data Initiative 2007,
<http://crrc-caucasus.blogspot.com/2008/10/comparing-civic-participation-caucasus.html>

Opinion

Lost in Democratization and Modernization: What Next in Georgia?

By David Aprasidze, Tbilisi

Abstract

Georgia's elite is more interested in modernizing the country than democratizing it. They sought to achieve a society transformation, restore the country's territorial unity, and modernize it all at once. However, the August 2008 war with Russia has exhausted the leadership and undermined its key accomplishments – establishing effective state institutions and securing public confidence in them. The regime is now ready to go back on its previous reforms in order remain in power. To this end, it has even sought to improve relations with the Georgian Orthodox church.

Learning the Lessons of the Georgian Experience

“Want More Democracy? Thanks, No” – I recently came across an article with this title in one of Georgia's magazines. It is dated July 2005 and its main argument is similar to Fareed Zakaria's analysis of “illiberal democracy” since it explains why democracy can turn into despotism of the majority and how democratic means can serve non-democratic ends. The angle from which the Georgian author depicted the contradiction between liberalism (rule of law and individual freedom) and democracy was the most striking feature of the text. The author stands for liberal values and would even agree to limit the democratic rules if necessary, if liberal values were under threat. In other words, he prefers the European autocratic liberalism of the 19th century to the illiberal democracy of the 21st century.

The logic of modernization as a prerequisite of democracy is not new either in theory or practice, as demonstrated by discussions of “democracy from above,” “controlled democracy,” “modernization first,” “weak state vs. strong society,” etc. Examples of elite-driven modernizations are spread across history and continents, from Latin America to East Asia, and, recently, in the former Soviet Eurasia.

Georgia is an example of the new wave of transformation in Eurasia. Observers variously depicted it as a country “lurching toward democracy” in 2001, starting to “awaken with the Rose Revolution” in 2003, and ending with “sliding towards Authoritarianism” in 2007. Is Georgia an ordinary case of high expectations and quick disappointments? Has the second post-Soviet transformation in this country already ended? What comes next in the Georgian puzzle?

The following article briefly examines the democratization-modernization debate in Georgia since 2004. The main argument is that the ruling elite used the modernization slogan as a tool for consolidating its own power.

Countries like Georgia lack some essential prerequisites for democracy. Most importantly, anti-individual values still prevail in the society (particularly religious and anti-minority views) and make the democratic process dangerous for democracy itself. The main lessons we have to learn from Georgia's colored transition are: 1. the transition to democracy needs more time than promoters often wish; 2. moralistic and messianic approaches should be replaced with more pragmatic policies, both by democracy promoters and democratization candidates; and 3. exaggerations regarding political aims have negative effects on political ends.

The article starts by laying out the main points of the Georgian ruling elite's modernization project. Then it describes the reform-power dilemma, which became obvious after the events of August 2008. The article concludes with some general observations about the Georgian case.

Democracy and Modernization: Contradicting Logics?

The elite governing Georgia since the Rose Revolution of November 2003 seek modernization, not democratization. President Mikheil Saakashvili believes that historians will view him as a leader who “made Georgia a modern European State.” Of course, democracy is also a modernization project, but many, and not only in Georgia, see societal transformation and a sound economic foundation as preconditions for democratic rule. They view a functioning state as the most necessary prerequisite.

The Georgian elite under Saakashvili's leadership started the project of quickly modernizing the country and society. They believed that it was necessary to transform Georgian society, which they considered to be pre-modern and dominated by traditional values which contradicted modernity. Ethnic nationalism and the increasing Orthodox religious identity of Georgians were seen as the most challenging issues. The new government

implemented a program of state-managed nation building. This endeavor included expanding state institutions as well as economic liberalization. Saakashvili believed that only strong and effective state institutions could increase public trust in formal institutions and replace established informal and personal loyalties in Georgian society. In particular, the government strengthened the coercive power of the state as security sector reform became one of the main goals of the new regime.

Saakashvili wanted to achieve quick results. He considered discussions about political ends and means to be a waste of time and boring. Georgia's leaders rebuffed every criticism of the government and its policies in the first years of Saakashvili's rule and depicted such opposition as national betrayal as time went on. Unfortunately, the longer Saakashvili was in office, the more apparent it became that the new regime was more idealistic, or even utopian, than pragmatic and realistic in its agenda setting. Georgia's leaders wanted to achieve societal transformation, territorial restoration, and economic modernization simultaneously, as quickly as possible and without asking for resources or conditions. They alienated potential supporters in the domestic political opposition (members of parties and groups that had allied with the ruling party during the Rose revolution) and focused foreign political dependence on the US, instead of diversifying it to include leading western European countries.

After August 2008: End of the Rose-Colored Legacy and Power-Reform Dilemma

We can blame the Georgian government for being unrealistic, underestimating, miscalculating or even provoking the August 2008 war with Russia. These speculations cannot change the obvious fact that Russia is back on the offensive. Moscow achieved its goals domestically by consolidating the new power duo of Putin-Medvedev, regionally by stopping former Soviet countries from sliding towards the West, and internationally by reclaiming its great power status. Moscow stopped the wave of democratization, which was enthusiastically welcomed and supported in the West, but feared and resisted in a paranoid manner by the authoritarian regimes in the East. Ironically, the Russian offensive discredited the liberal approach, not only in international security politics, but also regarding democracy-promotion strategies. After August 2008, security conditions are no longer favorable for democratization in the former soviet Eurasia.

Despite this, after August 2008 Saakashvili announced the second wave of the Rose Revolution – changing the balance of power between the president and the parliament in favor of the legislature, strength-

ening the judicial system, increasing the role of the opposition, expanding guarantees for media freedom, etc. Should we see these moves as a partial recognition of mistakes and shortcomings made by the government? Is the government willing and capable to continue old reform projects and start new ones? The August events hit the most visible achievement of Saakashvili's government – establishing effective state institutions and securing public confidence in them. State agencies continued working properly during and after the fighting, but the loss of the war undermined the confidence people had placed in them. Accordingly, Georgian citizens often interpret the new wave of democratization not as a fresh round of initiatives by an energetic leadership, but rather as a sign of the government's exhaustion. The frequent reshufflings in the government and the abandonment or slowdown of some old reform projects strengthen this attitude.

This backslide is most visible in state-church relations. The new ruling elite stands for secular values. It opposed the active engagement of the church in politics and tried to undermine the church's anti-secular legacy. Senior representatives of the government were ready to make unpopular statements in this regard. However, the situation has started to change since ongoing political crisis erupted in November 2007. The government increased the budgetary financing of the Georgian Orthodox Church (25 million GEL in 2009 up from 9.5 million in 2008) and government officials now regularly attend religious ceremonies (similar to other political figures). Saakashvili understands the importance of support from the Church and Patriarch personally, since the public has the highest level of confidence in this social institution.

Now the revolutionary government of Georgia is starting to distance itself from the colored legacy of transforming society and bringing it into modernity. The dilemma between holding power and continuing reforms is obvious. The ongoing political crisis and the outcome of the August war have exhausted the regime, depriving it of resources to continue its reform agenda. It favors stopping or even reversing reforms in an attempt to gain momentum, hold on to power, overcome the crisis, and only then continue the initial undertaking. However, the power-reform dilemma has no positive historical examples and none of the reformist regimes managed to solve it in their favor.

What Next?

From the perspective of democracy or modernization theories, the Georgian case is not unique – the process

of system transformation needs more time and resources and cannot be translated into the language of project objectives and project outcomes. In other words, the main lesson that we can learn from the Georgian case is that it is necessary to abandon idealistic aspirations for democracy promotion based exclusively on the strength of soft power resources. We have to look more realistically at correlations between democracy, modernization and, last but not least, security. For example, NATO's decision in Bucharest not to offer Georgia and Ukraine Membership Action Plans contributed neither to appeasement of Russia nor towards further democratization of Georgia. Democracy promotion can only be effective when it is coupled with strategic goals and politics. After August 2008 conditions for democratization in the former soviet

space became even worthier. Moscow's method of modernization for many societies appears more attractive and understandable than Western models.

The Georgian government believed that it could transform society, build the state and economy, solve conflicts, overcome Moscow's power of attraction and manage the country's integration into Western structures simultaneously. The war in August 2008 ended the idealism of the Georgian ruling elite and pushed it to concentrate on a survival strategy. The main achievements of the revolutionary regime are now under threat and could even be reversed. Any successor government in Georgia will be very careful about conducting modernization projects in the future.

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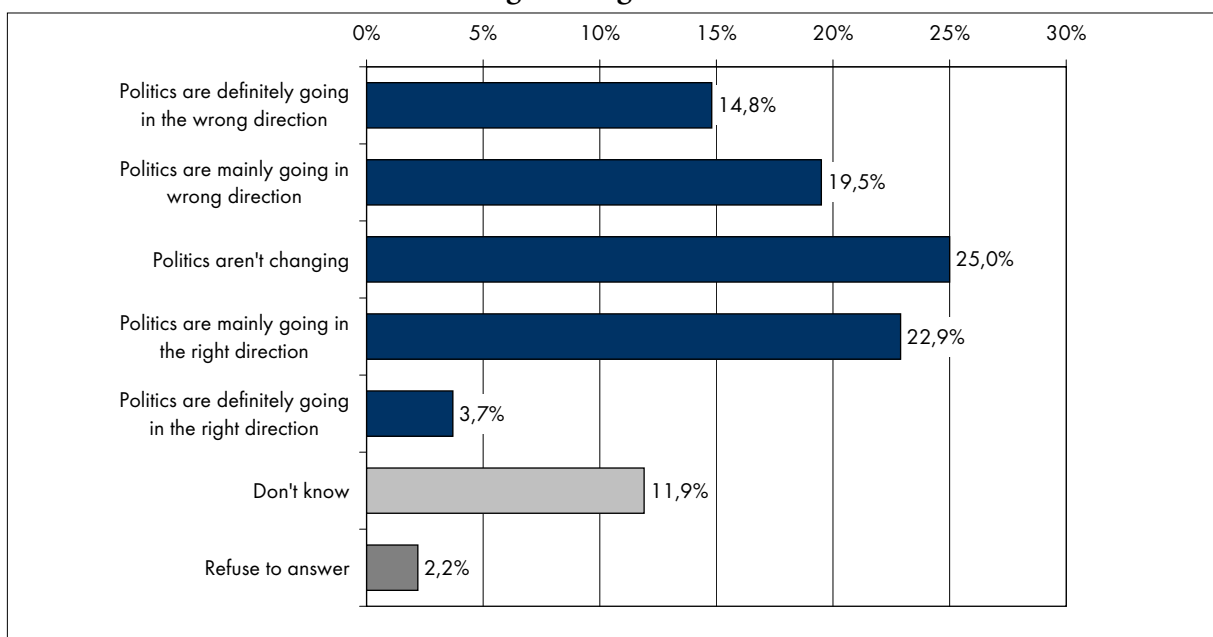
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Opinion Polls

Attitude of the Georgian Population towards Politics

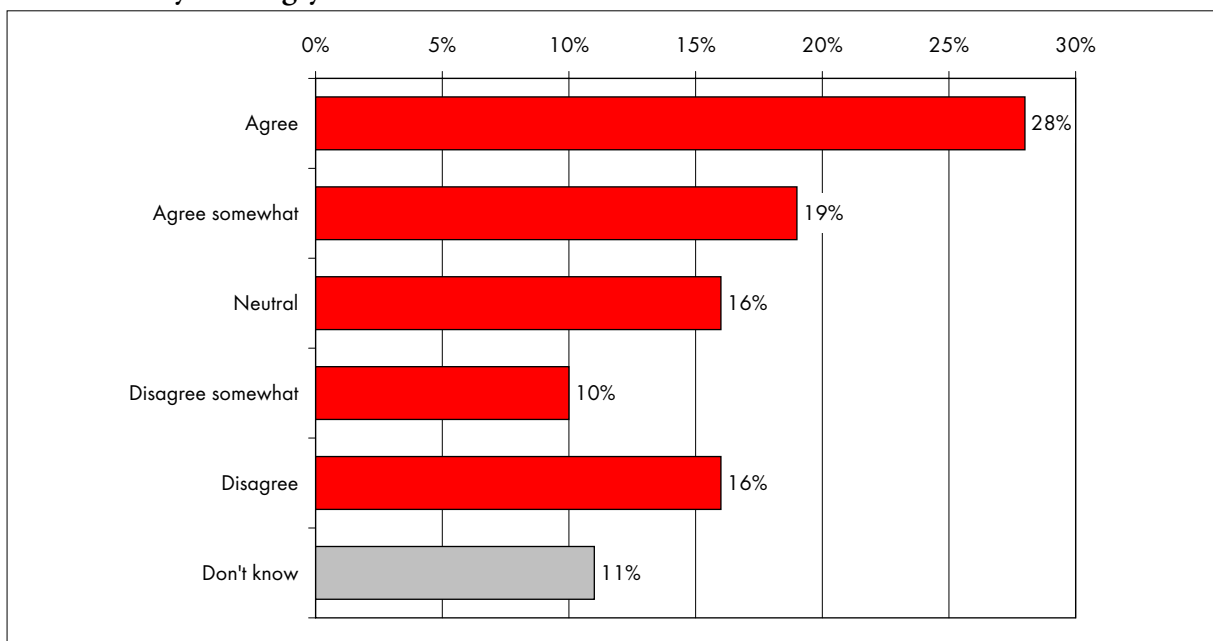
In What Direction Are Politics in Georgia Going?



Source: Caucasus Research Resource Centers, *Opinion poll spring 2008*,

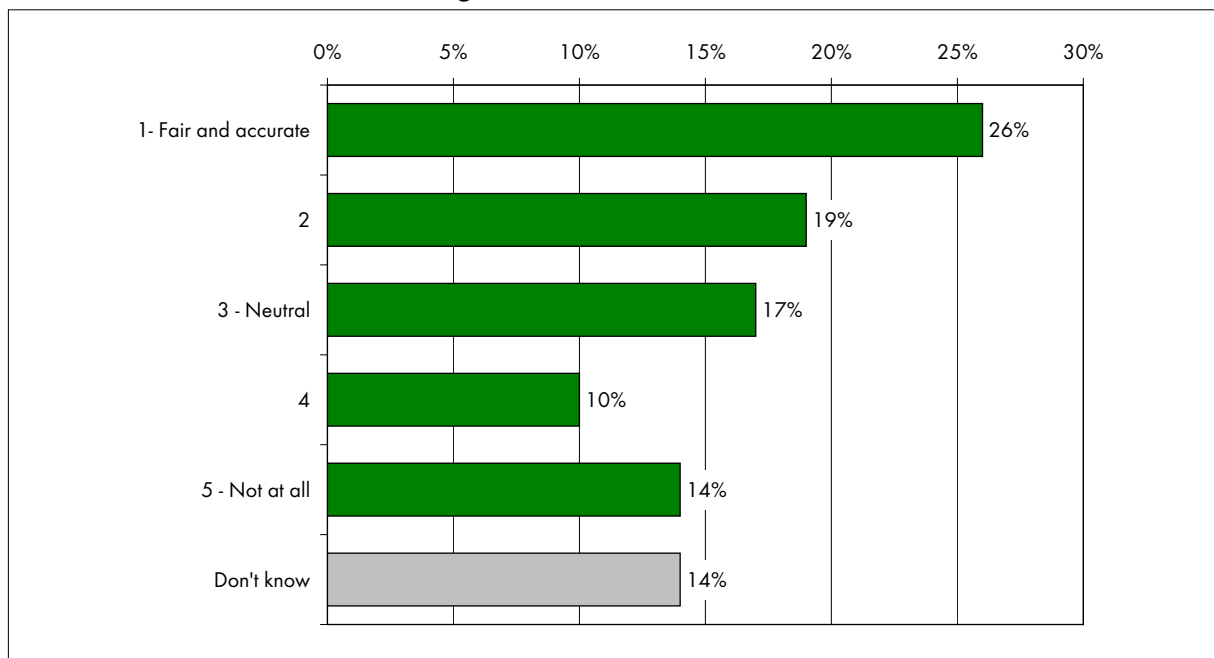
<http://crrc-caucasus.blogspot.com/2008/10/public-opinion-on-parliament-in-georgia.html>

The Government Listens to the People Only When They Organize Together in Large Numbers To Show They are Angry.



Source: Caucasus Research Resource Centers, <http://crrc-caucasus.blogspot.com/2008/11/weak-state-institutions-weak-social.html>

Will the Vote Count In Your Polling Station Be Accurate and Fair? (On a Scale of 1 to 5)

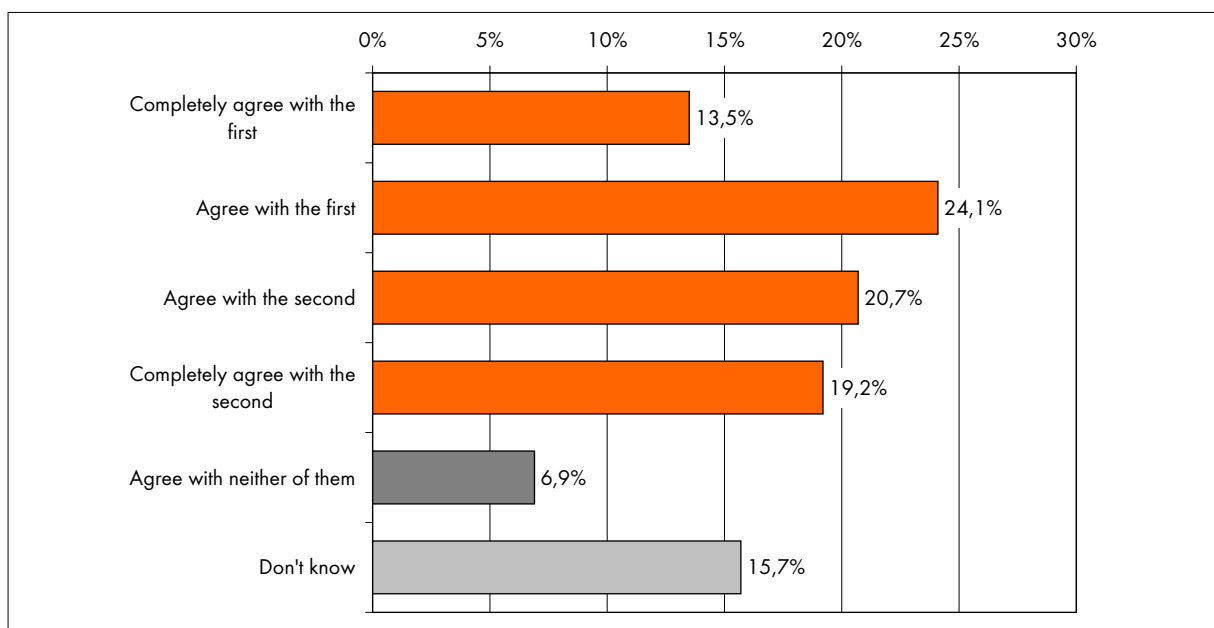


Source: Caucasus Research Resource Centers, <http://crrc-caucasus.blogspot.com/2008/11/weak-state-institutions-weak-social.html>

Which of these Statements is Closer to You?

1: Our current political system should be given more time to solve all of the inherited problems.

2: If our current political system does not achieve good results soon, we should replace it with another system.



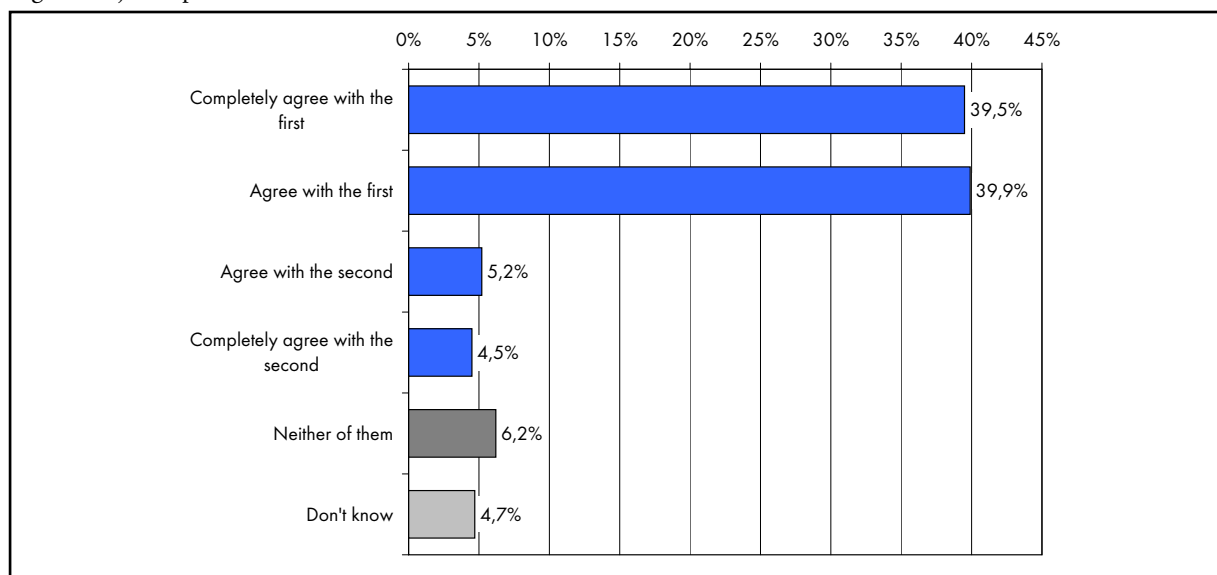
Source: Caucasus Research Resource Centers, Opinion poll spring 2008,

<http://crrc-caucasus.blogspot.com/2008/10/public-opinion-on-parliament-in-georgia.html>

The Role of the Majoritarian MP

1: The major responsibility of the Majoritarian MP is to help his voters from his region in finding a job, as unemployment is the biggest problem in Georgia.

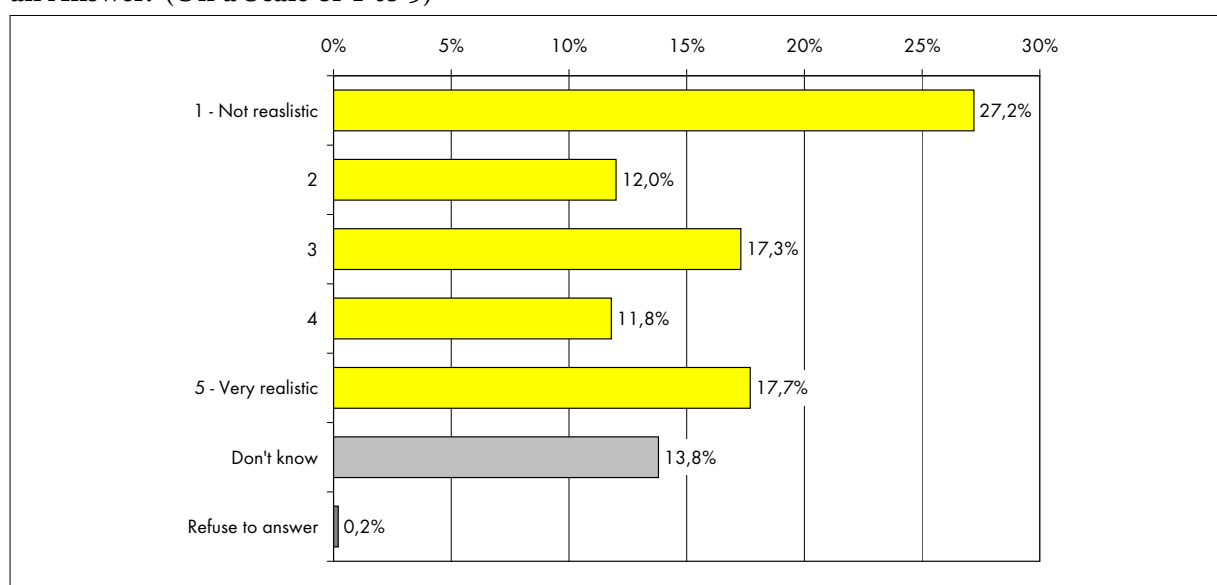
2: The Majoritarian MP is not supposed to help his voters in finding a workplace, as this might interfere with performing his major responsibilities.



Source: Caucasus Research Resource Centers, Opinion poll spring 2008,

<http://crrc-caucasus.blogspot.com/2008/10/public-opinion-on-parliament-in-georgia.html>

If You Address Your Majoritarian MP With a Question Today, How Realistic Is It to Receive an Answer? (On a Scale of 1 to 5)



Source: Caucasus Research Resource Centers, Opinion poll spring 2008,

<http://crrc-caucasus.blogspot.com/2008/10/public-opinion-on-parliament-in-georgia.html>

Chronicle

From 16 December 2008 to 13 January 2009

16 December 2008	Azerbaijani Parliament agrees on amendments to increase fines against NGOs if they refuse to submit information on their grants
16 December 2008	The patriarch of the Georgian Orthodox Church Ilia II says he had “positive agreements” with Russian President Dmitry Medvedev
18 December 2008	Georgian Ministry of Internal Affairs says a Georgian policeman is injured after a fire in the village of Khurvaleti located at the administrative border of South Ossetia
19 December 2008	Turkish Foreign Minister Ali Babacan says the public apology by Turkish intellectuals for the mass killings of Armenians in World War I could hurt efforts to improve diplomatic ties with Armenia
19 December 2008	The Parliamentary Assembly of the Council of Europe (PACE) calls for sanctions on Armenia over the imprisonment of dozens of opposition members
20 December 2008	Finnish Foreign Minister and outgoing OSCE chairman-in-office Alexander Stubb declare no consensus has been reached on the continuation of the OSCE presence in Georgia
20 December 2008	Gas supply to a district in north-west Azerbaijan is suspended after an explosion
22 December 2008	Georgian Foreign Minister Grigol Vashadze visits Azerbaijan
22 December 2008	Georgian President Mikhail Saakashvili says hundreds of millions of dollars spent on anti-Georgian campaign
23 December 2008	Azerbaijani president Ilham Aliyev receives EU special representative for the South Caucasus Peter Semneby
23 December 2008	Georgian Prime Minister Grigol Mgaloblishvili visits Turkey
24 December 2008	Azerbaijan’s constitutional court considers restrictive media amendments
25 December 2008	Nino Burdjanadze, former Parliament Speaker and leader of the opposition party Democratic Movement-United Georgia, calls for early presidential elections in Georgia
26 December 2008	Azerbaijani Parliament approves referendum on removing presidential term limits
26 December 2008	Georgian Parliament approves eight new ambassadors
26 December 2008	Georgian President Mikhail Saakashvili says he would propose a draft constitutional amendment envisaging the cutting of presidential powers
27 December 2008	Azerbaijani state company SOCAR purchases 22 small companies, which are distributing gas in Georgia’s provinces
28 December 2008	Bank of Georgia (BOG) receives a 39 million US dollars package from the US Overseas Private Investment Corporation (OPIC)
29 December 2008	US warship arrives in Poti
30 December 2008	The Azerbaijani National Council of Television and Radio Broadcasting decides to halt the transmission of the foreign radio stations BBC, Voice of America, Radio Liberty and Europa Plus on the national frequencies of Azerbaijan
30 December 2008	State funding is restored for six opposition parties in Georgia
31 December 2008	Bank of Georgia (BOG) receives 200 million US dollars from the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC)
31 December 2008	Georgian Prime Minister Grigol Mgaloblishvili leaves for Germany for medical examination
2 January 2009	Greece, which takes over the OSCE chairmanship from Finland, declares diplomatic efforts will continue to reach a consensus on the extension of the OSCE mission in Georgia

4 January 2009	Georgian Ministry of Internal Affairs says Georgian police post was attacked in the village of Ganmukhuri at the Abkhaz administrative border
6 January 2009	Azerbaijan Democratic Party condemns the closure of foreign radio stations in Azerbaijan
6 January 2009	Georgian public TV announces Georgia's participation in the Eurovision song contest in Moscow in May
8 January 2009	An inter-agency anti-corruption council is set up in Georgia to upgrade the national anti-corruption strategy and action plan
9 January 2009	US and Georgian officials sign a bilateral charter on strategic partnership
9 January 2009	Transit of Russian gas to Armenia is halted after a gas pipeline is damaged in Southern Georgia
10 January 2009	Russian state-controlled electricity trader Inter RAO signs a memorandum of understanding with Georgia on the exploitation of the Enguri hydro power plant (HPP)
12 January 2009	Tbilisi Mayor Gigi Ugulava rules out early elections
12 January 2009	Swiss Foreign Minister Micheline Calmy-Rey visits Georgia to sign agreement with Georgian Foreign Minister Grigol Vashadze on the protection of Georgia's interests in Russia by Switzerland
12 January 2009	Estonian President Toomas Hendrik Ilves visits Azerbaijan
13 January 2009	Opposition parties in Georgia criticize the government for striking a deal with the Russian state-controlled energy trader Inter RAO over the Enguri hydro power plant (HPP)
13 January 2009	Georgia resumes the transit of Russian gas to Armenia

About the Caucasus Analytical Digest

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The Caucasus Analytical Digest (CAD) is a monthly internet publication jointly produced by the Heinrich Böll Foundation in Tbilisi (www.boell.ge), the Research Centre for East European Studies at the University of Bremen (www.forschungsstelle.uni-bremen.de), the Jefferson Institute in Washington, DC (www.jeffersoninst.org) and the Center for Security Studies (CSS) at ETH Zurich (www.css.ethz.ch) with support from the German Association for East European Studies (DGO). The Caucasus Analytical Digest analyzes the political, economic, and social situation in the three South Caucasus states of Armenia, Azerbaijan and Georgia within the context of international and security dimensions of this region's development. CAD is supported by a grant from the Heinrich Boell Foundation and partial funding from the Jefferson Institute.

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