

Georgian Business Week, December 24, 2007, Issue 50 (158)

Expert Vladimer Papava: *‘The Genie is out of the Bottle Already’*

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Well-known Georgian economist Vladimer Papava, who now sits in parliament as an Independent, left the ruling National Movement faction and resigned from his position of Deputy Chair of the Parliamentary Budget and Finance Committee just a day before the controversial dispersal of opposition demonstrators took place.

On November 5 Papava made a statement saying that the only way to calm the protesters would be to schedule parliamentary elections for spring, as people would then go home and democratic debate would replace direct action. Since his resignation Papava has received several rebukes from government members and several offers from the opposition forces to be part of their team. But having served six years as Minister of Economy and four years as an MP, he says this is ‘enough’ for one person, and plans to concentrate in future on scientific activities.

According to Papava, Mikheil Saakashvili has the status of ‘former President’ only on paper. In effect he remains incumbent President. “I do not only mean that Saakashvili is accompanied by ministers or regional governors when meeting the electorate. What also surprises me is that the former President gives orders as if he is still the serving President.”

In an interview with Georgian Business Week Vladimer Papava said he will go to the polling station on January 5. “But frankly speaking I am still undecided about who to vote for,” he added.

Q: With the Presidential election just couple of weeks away what is your assessment of the economic programmes offered by the Presidential candidates? How do you evaluate the programme of former President Mikheil Saakashvili and do you believe his opponents have provided a good alternative for voters?

A: In Georgia the voters choices at the ballot box have never been guided by the economic programmes of candidates. In fact I cannot single out any platform which would meet the criteria for being called a ‘programme’. The presented documents look more like slogans. Though I have to say I have not seen the programmes of [Presidential candidates] Gia Maisashvili, Badri Patarkatsishvili and Irina Sarishvili, I have read the programmes proposed by Davit Gamkrelidze and Shalva Natelashvili. As for Levan Gachechiladze, he has offered only a list of economic priorities rather than a full programme. Regarding Saakashvili’s programme, I have listened to his televised speech. In general the TV speech is pretty hard to understand as it may simply be intended as a funny story. One example was the claim made by

Saakashvili that GDP would triple in 5 years' time. This seemed funny, especially as Prime Minister Gurgendidze was sitting beside him. In the language of economics this pledge means 24-25 percent annual growth, which is impossible, both theoretically and practically.

In Saakashvili's speech we heard promises of cheap credits for small businesses and a 'relief' of 2,000 GEL for newly-established businesses for a period of 10 years. I cannot understand what this relief is. We also heard pledges made in Saakashvili's programme that are not mere pledges. Their implementation is already underway. Some argue that these pledges had been made before the crisis but when the government unveiled its 2008 draft budget in September the document had nothing of this kind in it, no suggestion that it was thinking of raising pensions and salaries for teachers. Vouchers had been proposed [by Saakashvili] before making his re-election bid but the comments about salaries, pensions, cheap credits are a product of the election campaign.

In effect all the presidential candidates have invited voters to a political auction – now the question is who will pay the most in order to buy the most votes. Shalva Natelashvili, for instance, is making fantastic promises. He, as a leftist, has always been a politician of this kind and after all he leads the Labour Party. But when Saakashvili, who has always been claiming to be rightist, makes such promises, or New Rights, whose party name suggests the same orientation, it is surprising.

Q: So the programmes are primarily of a social character, in order to meet public demand?

A: Yes. But the government has previously shown it does not see the need for any programmes. When parliament approved a new cabinet headed by Vladimir Gurgendidze, Gurgendidze unveiled a document which was far from being a programme. The same was true with previous Prime Ministers [Zurab] Nogaideli and [Zurab] Zhvania.

People will vote according to the following criteria: those who are in love with Saakashvili will obviously vote for him regardless of how many November 7ths take place in the country. The same is true for Natelashvili and the rest. But there are people who dislike Natelashvili and have also come to dislike Saakashvili during these four years, especially after November 7 events. These people are focused on Gachechiladze, Patarkatsishvili and Gamkrelidze. Voters who are against revolutions will side with Gamkrelidze [as he is against revolutions]. Those who support drastic change will support either Gachechiladze or Patarkatsishvili. But until now Patarkatsishvili has remained in shadows. Finally there are hesitators who are still undecided who to vote for – Saakashvili or an opposition candidate? The competition is to win over those undecided votes.

Saakashvili holds a major lead in the race for votes because he not only promises but is also fulfilling those promises. Gachechiladze is just using figures and promises. But he has one promise which is most important – he says he will be in power for a maximum 200 days, and then not only resign but thus change the constitutional order in the country. I do not know whether this is an attractive promise for hungry people, but it certainly is for those who are fed up with the game of Presidents. We know how those games have ended up in Georgia's recent history. As for Sarishvili, she has been pursuing a pro-Russian policy during recent times which puts her in a very repellent position. Her presence on the candidate's list is in the interests of the government, in as much as it allows the authorities to argue that Russia is a threat to Georgia, by citing as a fact that Moscow has its own presidential candidate.

As for Maisashvili, he does not have a realistic opinion of his chances and his situation in the country. If you remember, when he came to an opposition-organized meeting he offered

himself to the government as Prime Minister. Since he is ready to cooperate with the Saakashvili government he is unable to offer any alternative platform for voters.

Concerning Patarkatsishvili, I have to say that his statement that he will allocate over 1 billion GEL to pay communal bills for the population, for two years, is unacceptable for me as an economist. People have hardly come round to the idea that they have to pay for electricity and gas, and taking this step would result in the big achievement of this change of mentality being lost.

Q: After the November crisis Saakashvili introduced successful businessman Vladimir Gurgendze into the government, apparently to defuse tension. Do you think he has made the right step in reshuffling the cabinet?

A: When people gathered in front of Parliament was there anyone demanding the resignation of [PM] Nogaideli? There was no request from the public to reshuffle the cabinet. In any event the government has not been reshuffled. There was discontent with Education Minister [Kakha] Lomaia but his successor [Maia Miminoshvili, former head of the National Assessment and Examination Centre] will be fulfilling Lomaia's orders. The same will happen as happened with Nogaideli when he had finance ministers as his deputies. As for [new Minister of Refugees and Settlement] Koba Subeliani, he is more popular than [former Minister Gia] Kheviashvili. The public defender has demanded Kheviashvili's resignation but this has never been high on the political agenda. A number of murky figures who are disliked by many people, especially Kakha Bendukidze [the minister in charge of economic reforms], kept their positions.

Q: What is your opinion of Gurgendze's initiatives such as drawing up a budget with a surplus, restructuring of the Department of Statistics etc?

A: Well, I welcome the idea of creating a budget with a surplus. But he said this will be done for 2009. It would have been better if we had such a budget for 2008, as this would provide a viable mechanism for curbing inflation. Gurgendze says inflation should be controlled through monetary policy i.e. through increasing the price of bank credits. This would result in decreasing cash flow at the market. Well, I see a rational argument here, but on the other hand, raising interest rates means entrepreneurs would find it more difficult to take loans, which would stall the development of private enterprise in the country.

When candidate Saakashvili made his statement about giving out cheap credit totaling 300 million GEL, at interest rates ranging from 4 to 10 percent, this contradicted Gurgendze's previous claims. But Gurgendze did not oppose the statement. So there is still a question mark over how the new PM is going to curb inflation. Gurgendze has said he is ready to work on restructuring the Department of Statistics but has offered three possible models: setting up a board of directors, subordinating the body to the President or reforming it as an independent body. We still do not know which model is more acceptable for the PM. It is however more important that he is thinking about this issue.

In general, Gurgendze has a good education and is a successful banker. I cannot question his professionalism but I am already doubtful about his political decency. When he says that interest rates will not rise this means we will have high inflation, regardless of his projections. He understands the country is in need of a budget with surplus, but is unable to draw one up in 2008. Furthermore I just cannot imagine a professional economist such as him supporting free economic zones for Georgia. So Gurgendze has already sacrificed his professional principles for political goals. My view is that he has put himself in very difficult situation, and furthermore, politics is not for him. Or maybe this time is not the most suitable one in which Gurgendze could be a politician.

Gurgenidze's other mistake was his reply to a question posed by one TV station which referred to Gurgenidze as a 'former banker'. He told the journalist "there is no such concept as a former banker", thereby admitting that he still regards himself as a banker. This gives the idea that his appointment was a mistake as we have a clash of interests.

Q: Concerning inflation, you have said in press comments that inflation is much higher than is suggested by official statistics, which report the current level as 11 percent. How can we establish the real picture?

A: No one knows the real figures. The Department of Statistics, as a government agency, faces the temptation to 'embellish' statistical information. I feel inflation is above 20 percent. However, what we have seen in 2007 will not come close to what we will have in 2008. Firstly, for whoever becomes President, fulfilling Saakashvili-imposed promises will be a tough legacy. The genie is out of the bottle already. Secondly, in 2008 we are going to have a parliamentary election, meaning whoever is President by that time will make every effort to gain a majority seats in the parliament, spending much money to buy votes. New promises will lead to new expenditures, with no monetary tools for keeping inflation down, as we are going to have cheap credits equal to 300 million GEL. Hence, if inflation stands below 40 percent next year we should say we have survived.

Q: Going back to Bendukidze, if Saakashvili is re-elected should we expect he changes his finance and economic ministers?

A: Much has been said about Bendukidze, and expert Soso Tsiskarishvili has recently coined an excellent term for his thinking – 'Bendunomics' which according Tsiskarishvili is characterized by pseudo-liberalism, destruction of state institutions, pseudo-privatization, giving a green light for Russian capital etc. As for the prognosis, if Saakashvili comes to power again, Gurgenidze will have a guaranteed position as Prime Minister. At a parliamentary session I asked Gurgenidze: 'you have achieved success in business with your team. Have you tried to bring some of your team into the government?' I wanted to know whether he [Gurgenidze] is feeling discomfort without his team around him. Grugenidze replied that he appreciates his team's work but he has not attempted to bring his team into government because he likes the existing team. So he has openly voiced his love for Bendukidze.

Q: What are your predictions for the election results?

A: In fact all the other candidates are against one candidate [Saakashvili]. With the help of administrative tools and assistance from the current government, Saakashvili will have the majority of votes, but he will not be able to win in the first round. The opposition contender having the most votes will compete with Saakashvili in the runoff. And let's say this will be a major success for the opposition forces.