

## The Political Economy of Georgia's Rose Revolution

---

by Vladimer Papava

**Vladimer Papava** ([papavavladimer@gfsis.org](mailto:papavavladimer@gfsis.org)) is a Senior Fellow at the Georgian Foundation for Strategic and International Studies. He was a Minister of Economy of the Republic of Georgia (1994–2000) and Fulbright Fellow at the Central Asia-Caucasus Institute of the Nitze School at The Johns Hopkins University's SAIS (2005–06).

***Abstract:** The Rose Revolution opened a new chapter in the history of modern Georgia. The post-revolution government achieved a number of successes in areas such as dramatically increasing state budget revenues, fighting corruption, and setting up effective cooperative relationships with the international financial institutions. But it made some mistakes, too, in building a democratic state in general and in its economic policy in particular. Its relationship with Russia and its excessive exposure to Russian investments is particularly troubling. The country's policies need to be fine-tuned in order to protect its democracy and promote further economic growth.*

The Georgian people's Rose Revolution of November 2003 strove to achieve a democratic society, improve human rights and living conditions, reduce corruption, and enhance the national economy.<sup>1</sup> Accordingly, the Revolution and its heroes, led by Mikhail Saakashvili, received the support of the Bush administration, the EU, and its member states. Three years later, the euphoria that followed the Revolution, both within and outside the country, has gradually been replaced by more realistic assessments of the results of the post-revolution policies to date. The sobering up from being drunk on revolution occurred somewhat sooner within Georgia

---

<sup>1</sup> For more on the revolution, see Neal Ascherson, "After the Revolution," *London Review of Books*, Mar. 4, 2004; Zeyno Baran, "Removing the Thorn in Georgia's Rose Revolution," Embassy of Georgia to the USA, Canada and Mexico, March 24, 2004, at [www.georgiaemb.org](http://www.georgiaemb.org); Bruno Coppieters and Robert Legvold, eds., *Statehood and Security: Georgia after the Rose Revolution* (Cambridge, Mass.: MIT Press, 2005); Charles H. Fairbanks, Jr., "Georgia's Rose Revolution," *Journal of Democracy*, April 2004; Zurab Karumidze and James V. Wertsch, eds., *Enough: The Rose Revolution in the Republic of Georgia 2003* (New York: Nova Science Publishers, 2005); Charles King, "A Rose Among Thorns: Georgia Makes Good," *Foreign Affairs*, March/April 2004; Eric Miller, "Smelling the Roses: Eduard Shevardnadze's End and Georgia's Future," *Problems of Post-Communism*, March 2004; Cory Welt, "Georgia: Consolidating the Revolution," *Russia and Eurasia Program*, Center for Strategic and International Studies, Apr. 6, 2004, at [www.csis.org](http://www.csis.org).

than abroad, which is quite understandable: Georgian citizens have been experiencing the revolution firsthand, whereas Georgia's international friends often mistake what they would like to see happening for what is really happening. The unconditional support for all endeavors of the post-revolutionary government on the part of the Western nations and, most of all, of the U.S. government, is fostering the development of anti-Western and anti-American tendencies among Georgians.

Nevertheless, even those analysts who have been *a priori* supportive of the revolutionary leaders cannot ignore some recent antidemocratic developments in Georgia, such as executive authority dominating the judiciary and troubling incidents that are provoking discussions about the country's key values.<sup>2</sup> But to date none of the analysis devoted to the revolution deals in any substantive way with economic problems. This article aims to explore the economic transformations in post-revolution Georgia and outline basic directions of Georgia's economic development.

### **The Pre-Revolution Economy**

Georgia's economic development from 1991 until the revolution, which was characterized by some successes but also several significant mistakes,<sup>3</sup> can be thought of in three phases: the years of disregarding economics (1991–94), then consistent reforms (1994–98), followed by the rise of corruption (1999–2003).

#### *Disregarding economics*

The period from 1991 through the first half of 1994 saw almost a triple decline in production coupled with hyperinflation—in 1993–94, the inflation rate reached 50–70 percent a month.<sup>4</sup> An interim Georgian currency, the coupon, introduced in Spring 1993, devalued so fast that ultimately the only product it could buy was a loaf of bread. However, even that would have been impossible to do had the bread not been baked mostly by government-owned bakeries and had the government not artificially kept the bread price at a low level. The result was that the Russian ruble was the only effective currency in circulation.

<sup>2</sup>See Stephen F. Jones, "The Rose Revolution: A Revolution without Revolutionaries?" *Cambridge Review of International Affairs*, March 2006; Charles A. Kupchan, "Sukhumi Dispatch: Wilted Rose," *The New Republic*, Feb. 6, 2006; and Alexander Melikishvili, Response to Kupchan's article, *Johnson's Russia List*, Feb. 10, 2006.

<sup>3</sup>Nodar Khaduri, "Mistakes Made in Conducting Economic Reforms in Postcommunist Georgia," *Problems of Economic Transition*, vol. 48, no. 4, 2005.

<sup>4</sup>Lado Gurgendze, Mamuka Lobzhanidze, and David Onoprishvili, "Georgia: From Planning to Hyperinflation," *Communist Economies & Economic Transformation*, June 1994.

In 1993–94, the country had no parliament-approved national budget. Public expenditures were approved by the parliament on a quarterly basis. The only source of national revenues was loans from the central bank, the National Bank of Georgia (NBG). Commercial banks were extending limitless credit.

Liberalizing prices (except for bread) in 1992 was the only important step taken toward a market economy. However, due to the lack of a national budget and uncontrolled issuance of money, it had adverse results, such as falling production, dramatically rising inflation, and the unprecedented devaluation of the national currency.

### *Reform*

In the second half of 1994, the government finally began to pay attention to economics and institute reforms, a process that continued through the end of 1998. The first steps were to raise the price of bread; curb the NBG's uncontrolled lending to the government, which was underwritten by printing excessive amounts of money; and ban overdraft credit extensions for the commercial banks. Hyperinflation was brought under control, as was declining production. In 1995 Georgia's parliament approved a national budget, as it has every year since. This permitted implementation of a successful currency reform in Fall 1995. A new national currency, the lari, forced out of circulation both the coupon and the Russian ruble. In Summer 1996, after gradual increases in the bread price and a simultaneous privatization of public bakeries, the bread price was entirely liberalized. All these reforms were carried out in close cooperation with the International Monetary Fund (IMF) and the World Bank. As a result, after 1995, Georgia turned to economic growth and finished its exit from the hyperinflation spiral.

Fall 1998 posed a test for the strength of the reforms. Because of the August 1998 default in Russia, the Georgian currency started devaluing rapidly. The government lacked control of the South Ossetian and Abkhazian sections of the Georgian-Russian border, so there was smuggling of cheap (because of the default) Russian goods. Also, the Russian military bases in Georgia were used as a vehicle for flooding the Georgian market with devalued Russian rubles. All of this contributed to U.S. dollars streaming out of Georgia into Russia and the lari's being devalued by 70 percent. However, the government took timely steps and the NBG ensured that not a single commercial bank went bankrupt during this very difficult period for the Georgian economy.

### *Corruption*

Unfortunately, in 1999 President Eduard Shevardnadze began disregarding common sense and expert advice, especially in his government appointments. This period was characterized by the escalation of a budget

crisis, the first symptoms of which became noticeable as early as 1998, when actual national budget revenues started lagging behind projections. The next year represents the most palpable example of the national budget failure: in 1999, the government collected only around 70 percent of the projected national budget. This state of affairs continued through 2003. One remarkable characteristic of the budget crisis was a many-year “budget war” between the central government and that of the Adjarian Autonomous Republic.<sup>5</sup> In essence, the government of the autonomous republic refused to transfer to the central budget legally established quotas of tax revenues collected in Adjara.

To achieve the projected budget revenues on paper, the government resorted to deceptive accounting techniques such as “forwarding” budget funds from one budget line to another and making fictitious tax offsets. From 1999 onwards, the country was unable to obtain loans and grants from international financial institutions and donor countries, since it could not meet IMF requirements; in 2002, the IMF suspended its own funding. Other international financial institutions and donor countries followed suit, and Georgia’s problem of external debt, which at that time had reached 50 percent of GDP, became critical. With the IMF suspension, the Paris Club door was locked for Georgia, and without restructuring, the country would never be able to repay its debts.

In 2000, the Georgian government invited the prominent Polish economist Leszek Balcerowicz to become an adviser to the president. But massive government ineptitude made futile his two-year effort to help the country’s leadership overcome economic crisis. (In a move similar to his predecessor’s, President Saakashvili recently invited the former prime minister of Estonia, Mart Laar, to become a presidential aide on economic affairs.)

In June 2003, President Shevardnadze approved an Economic Development and Poverty Reduction Program for 2003–15. The program had been developed by the government agencies in cooperation with NGOs and Georgian economists, along with experts from the international organizations and donor countries in the final phase. However, owing to the lack of political will, the government failed even to begin implementing the program, thereby exacerbating tension between Georgia and the IMF and other international donors.

While GDP growth rate had begun to fall during this period, in 2003 Georgia succeeded in achieving a high economic growth rate, primarily due to investments in the construction of the Baku-Tbilisi-Ceyhan oil pipeline. But as a consequence of the government’s failures in all aspects of the budgetary process, in 2003 the state budget deficit reached \$90 million, or 15 percent of

<sup>5</sup> Archil Gegeshidze, “Georgia’s Regional Vulnerabilities and the Ajaria Crisis,” *Insight Turkey*, April-June 2004; Mamuka Tsereteli, “The Political Economy of the Ajarian Crisis,” *Central Asia-Caucasus Institute Analyst*, Apr. 21, 2004.

projected revenue. At the end of 2003, the total internal debt in unpaid salaries and public-sector pensions, which had been accumulating for the entire duration of the budget crisis, reached \$120 million, even though monthly pensions amounted to less than \$7. Half the population was living under the poverty level. This drastic deterioration of social conditions created sufficient dissatisfaction with the Shevardnadze administration that the ground was prepared for revolution.

### **Post-Revolution Economic Achievements**

The concentration of power in the president's hands is the most notable characteristic of Georgia's development since the revolution. In February 2004, the parliament approved the president's initiative to amend the national constitution, giving the president the power to disband either the parliament or the cabinet in case of a conflict between the two. The constitutional amendments significantly weakened the parliament: a permanent threat of disbanding keeps parliamentarians loyal to the government. The strengthening of presidential powers and the weakening of those of the parliament has had both positive and negative consequences for the country.

Among the positive results, the broader executive powers allowed the government to drastically reduce redundancies and improved its ability to maintain financial order. For example, the unlawful accounting practices for state budget revenues have disappeared. Also, the May 2004 revolution in the Autonomous Republic of Adjara permitted a normal budgeting process to resume between the central government and this region, and Georgia's tax revenues significantly increased in 2004 for the first time since it gained independence in 1991. The new government succeeded in overcoming the budget crisis and in covering old liabilities, including paying pensions and salaries. Also, decisive steps were taken to intensify a war on crime in order to improve the business climate.

As part of its efforts to combat corruption, the government abolished the traffic police that had existed since Soviet times and created a Western-style police patrol. As a consequence, the practice of bribery across the country's roads and highways was ended, opening up new opportunities for the country's development as an important international transport corridor.

No less impressive were the results of the reformed system of exams for admission to the country's universities, which had been infamous for their corruption since Soviet times. By taking the exams out of the control of university administrators and holding them on a national level, the government overcame the deep-rooted corruption in the admissions system.

State budget revenues were tripled as a result of such anticorruption measures as arresting and then releasing—for a “price of liberty”—former government officials and their relatives, especially friends and family of

President Shevardnadze. Ostensibly this money was used to pay back to the state money and properties that had been stolen from it, but in many cases the “price of liberty” no doubt was different from the amount taken. The new government announced that during its first year some \$200 million had been returned to the national budget, but the new “fighters against corruption” have certainly recovered much more than this.

Almost immediately after coming to power, the Saakashvili government started implementing an ambitious plan of large-scale privatization. The country’s new image, improved by the Rose Revolution, enabled it to attract from the outset high-value privatization deals that exceeded by tens and sometimes hundreds of times the amounts raised for the whole period before the revolution.

In addition to its other achievements, the new government reduced some tax rates and the adopted a new Tax Code in late 2004. In the new tax code, VAT decreased from 20 percent to 18 percent, the payroll tax decreased from 32 percent to 20 percent, and a flat income tax of 12 percent replaced the old progressive income tax. At the same time, the number of taxes also went down: the more than twenty taxes under the old tax code and other laws were reduced to only seven through abolishment or combination.

By Summer 2004, the government had earned renewal of the IMF program, enabling it to begin negotiations on restructuring the country’s foreign debt. Since then, donor countries have extended Georgia credit and grants amounting to \$1 billion. In addition, In September 2005, Washington committed to extend the country \$295.3 million in assistance under the Millennium Challenge Account.

### **Post-Revolution Economic Mistakes**

One of the negative consequences of the strengthened presidential and weakened parliamentary powers is an intensified feeling of impunity among government officials, which has been manifested in their disregard for the rule of law. The judiciary has been degraded and denounced, and judges have turned into tacit executors of the prosecutors’ wishes. The government’s control over the media has become overwhelming. In this context, the process of democratization and improving human rights has encountered many barriers.<sup>6</sup>

<sup>6</sup>Zaal Anjaparidze, “Critics Press for Improved Judicial Independence in Georgia,” *Eurasia Daily Monitor*, April 26, 2006, at [www.jamestown.org](http://www.jamestown.org); “Newspaper: Government Controls Editorial Policies of the Private TV Stations,” *Civil Georgia, Tbilisi*, Feb. 28, 2005; Jaba Devdariani, “Georgia’s Rose Revolution Grapples with Dilemma: Do Ends Justify Means?” *Eurasia Insight*, Nov. 26, 2004, at [www.eurasianet.org](http://www.eurasianet.org); and “One Step Forward, Two Steps Back. Human Rights in Georgia After the ‘Rose Revolution,’” *Human Rights Information and Documentation Center*, 2004, at [www.humanrights.ge](http://www.humanrights.ge).

In almost all governmental ministries and departments, most of the experienced employees were swept away by the revolutionary wave, usually in violation of the law. Government employees with a comprehensive university education are now almost nonexistent. New employees were selected on a competitive basis, with preference given to young people who had received some Western education. In hiring young staffs, the government lost a great deal of institutional memory.

The flipside of the changes made in the country's budget system is that they have deprived local budgets of practically all tax revenue: if before the revolution some 99 percent of profit taxes were left for the local budgets, after the revolution 100 percent of such revenue has been collected by the central government and apportioned to local budgets through distributions. Such steps aimed at strengthening the central government fit perfectly with the government's failure to honor its electoral promises to introduce direct elections of city mayors.

The government established extrabudgetary "law-enforcement development accounts" where those suspected of corrupt practices were compelled to transfer payments to buy their liberty. Thus, a new form of corruption had developed in the form of these extrabudgetary accounts. Since such revenues could not be raised on an ongoing basis, the government started replenishing these accounts by means of "voluntary contributions" from businesses.<sup>7</sup> Just as in the mid-1990s, when the earlier government's extrabudgetary accounts were closed under IMF pressure, in late 2005 the IMF demanded that the new ones be closed, to which demand the government reluctantly acceded only after several months of hesitation.

Another matter of particular concern is the process of "deprivatization" of privatized state property, which may drag the country back to its status at the initial stage of its transition to a market economy. Furthermore, the government's new wave of privatization will probably make necessary sometime in the future another round of deprivatization.<sup>8</sup> These initiatives only create the appearance of providing for "social justice." Their real purpose is redistributing property for the benefit of the new elite.

## **Russian-Georgian Relationships**

As the West's support for Georgia has increased since 2003, so has irritation in Moscow, to which the Georgian leaders respond in kind. The mutual reproaches between Tbilisi and Moscow have become increasingly

<sup>7</sup> Zaal Anjaparidze, "Georgian Government Questioned about Secret Funds," *Eurasia Daily Monitor*, Apr. 12, 2006.

<sup>8</sup> Vladimer Papava, *Necroeconomics: The Political Economy of Post-Communist Capitalism—Lessons from Georgia* (New York: iUniverse, 2005), pp. 60–61; Anders Åslund, "Georgia on my Mind," *The International Economy Magazine*, Winter 2006.

loud. What policy does Russia actually plan to pursue with respect to Georgia and the other post-Soviet states?

Russia's policy toward these states today—the author of which is Anatoliy Chubais, the president of RAO EES (Unified Energy Systems), a huge nationwide utility—is an updated version of the “liberal empire” concept.<sup>9</sup> One of the key goals of liberal empire is to significantly weaken (if not destroy) Western influence over the post-Soviet states. According to Chubais, because Russia has never been invited to and actually could not be squeezed into either NATO or the EU, it needs to create an alternative to those organizations. One variant of such an alternative could be a liberal empire, which would be built not by means of coercion or even military occupation of the former Soviet republics, but rather by means of acquiring and developing assets located in their territories.<sup>10</sup>

Russia started fulfilling its master plan of incorporating the Caucasus in the liberal empire with Armenia, its strategic partner in the region. In late 2002, just before the March 2003 presidential elections in Armenia, the countries agreed to a “debt-for-equity” swap. Russia gained multiple national Armenian enterprises, the aggregate value of which turned out to be enough for Armenia to pay off its \$93 million debt to Russia.

Georgia is a geographical obstacle on the way to Russia's creation of a united economic space between itself and Armenia. Should Russia succeed in implementing its liberal empire plan in Georgia, it will be an easy endeavor to get Azerbaijan involved in this imperial project, too, as all key Azeri transport and communications routes, including basic pipelines, cross Georgia's territory.

In Summer 2003, RAO EES acquired the Georgian holdings of AES Silk Road (a subsidiary of the U.S.-based power company AES Corp.), which held 75 percent of the equity in the Tbilisi electricity network and some other important components of the Georgian electric energy system.<sup>11</sup>

In fact, most Georgian assets in the post-revolution years have been bought by Russian companies or their subsidiaries, registered in third coun-

<sup>9</sup>Anatoliy Chubais, “Missia Rossii v XXI veke” (Russia's Mission in the 21<sup>st</sup> Century), *Nezavisimaya gazeta*, Oct. 1, 2003, at [www.ng.ru](http://www.ng.ru). Liberal Empire is based on the czarist Russian doctrine of Eurasianism and can be seen as a modification of the British-American theory of liberal imperialism that Stanley Kurtz described in “Democratic Imperialism,” *Policy Review*, April/May 2003. See David Reiff, “A New Age of Liberal Imperialism?” *World Policy Journal*, Summer 1999; Theo Farrell, “Strategic Culture and American Empire,” *SAIS Review of International Affairs*, Summer/Fall 2005; and Igor Torbakov, “Russian Policymakers Air Notion of ‘Liberal Empire’ in Caucasus, Central Asia,” *Eurasia Insight*, Oct. 27, 2003, at [www.eurasianet.org](http://www.eurasianet.org).

<sup>10</sup>On Russia's investment policy and its activity in neighboring countries, see Keith Crane, D. J. Peterson, and Olga Oliker, “Russian Investment in the Commonwealth of Independent States,” *Eurasian Geography and Economics*, vol. 46, no. 6 (2005).

<sup>11</sup>Tea Gularidze, “Russian Company Seals Controversial Takeover of Tbilisi Electricity Distribution,” *Civil Georgia*, Tbilisi, Aug. 2, 2003, at [www.civil.ge](http://www.civil.ge).

tries. Russia has thus been able to pursue its strategy in Georgia because of insufficiently transparent privatization procedures.

The Russian holding group Industrial Investors plans to invest up to \$200 million in the Georgian economy over the next three years.<sup>12</sup> Through a subsidiary, Stanton Equities Corp., it has already embarked on this by purchasing, for \$35 million, Madneuli, a gold-mining enterprise (it paid an additional \$16 million to pay Madneuli's state budget liabilities), and 50 percent of the shares in Kazreti, a gold alloy manufacturer.<sup>13</sup>

Russian gas giant Gazprom is also moving aggressively in Georgia. Gazprom is willing to purchase dozens of major gas interests in Georgia and, most importantly, the main North-South natural gas pipeline through which gas flows from Russia to Georgia and, by transit, to Armenia.<sup>14</sup>

In addition to the numerous privatization schemes, there is the precedent of renationalization implemented by the Russian side and unfortunately welcomed by the Georgian government<sup>15</sup>. In early 2005, Russia's state-owned Vneshtorgbank purchased the controlling shares in the United Georgian Bank, the third-largest bank in Georgia. Just one year earlier, Vneshtorgbank had acquired the controlling package of shares in the Armenian Armsberbank. According to Vneshtorgbank management, the bank is planning to embark on an ambitious investment program in Georgia which may reach \$1 billion in aggregate. The Russians started this program by spending \$40 million to purchase the gas turbines for an electricity generator in Gardabani, south of Tbilisi.

A major role in making Georgia part of the developing liberal empire has been assigned to RAO EES Russia. Russia's interest in acquiring parts of the electric power grid in Georgia in order to gain access to the huge Turkish market has been known since Soviet times. When Tbilisi indicated its interest in privatizing the Inguri Power Plant and renewing construction of the Khudoni Power Plant, RAO EES's leadership indicated its strong interest in both projects.

While most countries welcome FDI, it should be a matter of concern for Georgia that investments are coming from a not-quite friendly nation that has openly announced its intention of luring neighboring countries into its liberal

<sup>12</sup>Gruppa "Promyshlennye invrsoty" namerena investirovat' v Gruzii v techenii triokh let do \$200 millionov" (Industrial Investors is Planning to Invest up to \$200 Million in Georgian Economy over the Next Three Years), *Delovaia Rossia*, June 7, 2004, at [www.deloros.ru](http://www.deloros.ru).

<sup>13</sup>"The winner company 'Stanton Equities Corporation' pays more then 51 M USD for JSC Madneuli," Nov. 2, 2005, Ministry of Economic Development of Georgia, at [www.privatization.ge](http://www.privatization.ge).

<sup>14</sup>Russia's policy aims to make its "liberal empire" first energy-dependent and then politically dependent on it. See Keith C. Smith, *Russian Energy Politics in the Baltics, Poland, and Ukraine: A New Stealth Imperialism?* (Washington: CSIS Press, 2004); and Fiona Hill, *Energy Empire: Oil, Gas and Russia's Revival* (London: Foreign Policy Centre, 2004).

<sup>15</sup>Vneshtogbank priobriol kontrolnyi paket aktsii Ob'edinionnogo banka Gruzii (Vneshtorgbank Purchase the Controlling Shares of United Georgian Bank), *News.ru*, Jan. 18, 2005, at [www.newsru.com](http://www.newsru.com).

empire. Russian capital is always either directly owned or otherwise controlled by the state.

Russia manifested its desire to destabilize Georgia in the “economic war” it opened in January 2006, when a gas pipeline to Georgia was blown up on the Russian side of the two countries’ border. As a result, gas deliveries to Georgia and Armenia were disrupted for days during a particularly cold winter.<sup>16</sup> In Spring 2006, Russia put a ban on the importation of Moldovan and Georgian wines, as well as plants and vegetables, claiming high levels of heavy metals and pesticides. (In 2005, wine accounted for 9.4 percent of Georgian exports, second only to scrap metal. More than 70 percent of these exports were to Russia.) Other Georgian goods, such as mineral water, also face expulsion from the Russian market.<sup>17</sup> As a result, Georgia is considering quitting the Commonwealth of Independent States,<sup>18</sup> but it is still welcoming Russian state investments.<sup>19</sup> Georgia faces a historic choice: either to continue moving towards Europe, or to let itself be drawn back into Russia’s orbit. The West cannot ignore these developments in the Caucasus.

## Conclusions

The democratic roots of the Rose Revolution gave hope to Georgia’s citizens and allies alike that the country would develop on the basis of democratic values, respect for human rights, and economic reform. The fact that many of those expectations have not yet been fulfilled has caused much disappointment among the revolution’s supporters. The new government is a kind of mixture of democratic and authoritarian elements.<sup>20</sup> Such hybrid regimes are not a novelty; they are characteristic of many postcommunist countries that have not had “color revolutions.”<sup>21</sup> But it is regrettable that

<sup>16</sup> Cory Welt, “Energy Insecurity in Georgia,” Center for Strategic & International Studies, Jan. 24, 2006 at [www.csis.org](http://www.csis.org); “Saakashvili Addresses Nation at End of Energy Crisis,” *Civil Georgia*, Jan. 30, 2006, at [www.civil.ge](http://www.civil.ge).

<sup>17</sup> Zaal Anjaparidze, “Russia Continues To Press Georgian Wine Industry,” *Eurasia Daily Monitor*, April 20, 2006, at [www.jamestown.org](http://www.jamestown.org); Mamuka Tsereteli, “Banned in Russia: The Politics of Georgian Wine,” *Central Asia-Caucasus Institute Analyst*, April 19, 2006, at [www.cacianalyst.org](http://www.cacianalyst.org); and Robert Parsons, “Russia/Georgia: Russia Impounds Georgian Mineral Water,” *Radio Free Europe/Radio Liberty*, Apr. 19, 2006, at [www.frerl.org](http://www.frerl.org).

<sup>18</sup> John Mackedon, “Russian Economic Pressure has Georgia Thinking about Life Outside the CIS,” *Eurasianet, Business & Economics*, May 12, 2006, at [www.eurasianet.org](http://www.eurasianet.org); Vladimir Socor, “Georgia Near Exit from CIS,” *Eurasia Daily Monitor*, May 11, 2006, at [www.jamestown.org](http://www.jamestown.org); Saakashvili Comments on CIS, *Civil Georgia*, May 2, 2006, at [www.civil.ge](http://www.civil.ge).

<sup>19</sup> “PM: Russian Investments Pose no Threat,” *Civil Georgia, Tbilisi*, May 16, 2006, at [civil.ge](http://civil.ge).

<sup>20</sup> Ghia Nodia, “The Dynamics and Sustainability of the Rose Revolution,” in Michael Emerson, ed., *Democratisation in the European Neighbourhood*. (Brussels: Centre for European Policy Studies, 2005), pp. 44–45.

<sup>21</sup> See, e.g., Valerie Bunce, “The Political Economy of Postsocialism,” *Slavic Review*, Winter 1999.

Georgia could not avoid the populist tendencies manifested in deprivatization, another attribute of authoritarian regimes.<sup>22</sup> For now, its antidemocratic tendencies are impeding its prospects for integration with Europe and possibly blocking its economic development. But there is still time for international organizations and Georgia's allies to help Georgia's government return to a democratic path.



<sup>22</sup> Béla Greskovits, *The Political Economy of Protest and Patience: East European and Latin American Transformations Compared* (Budapest: Central European University Press, 1998).