Problems of Economic Transition, vol. 56, no. 2, June 2013, pp. 51–65.

ISSN 1061–1991 (print)/ISSN 1557–931X (online)
DOI: 10.2753/PET1061-1991560204

V. Papava

Economic Achievements of Postrevolutionary Georgia

Myths and Reality

The author attempts to show what actual achievements have resulted from economic reforms carried out in Georgia since the 2003 "Rose Revolution," and to debunk some fundamental myths surrounding these reforms. This analysis leads him to conclude that Georgia can be regarded as a symbiosis of neoliberalism and neobolshevism rather than as a country of liberal reforms. Georgia is not free from corruption; it has developed new and more complex forms of elite corruption. Georgia is not oriented exclusively toward a European model: the country's leadership has officially declared as one of its goals a "Singaporization" of the national economy; the government is artificially impeding attempts to establish free trade with the European Union. After the war of August 2008, Georgia maintained its economic ties with Russia, including trade relations.

The Rose Revolution, which occurred in November 2003, was one of the most significant events in the post-Soviet space at the beginning of the third millennium.[1] Its results are more adequately judged now than they were in the first years after the revolution.[2] The process of sobering up after the revolutionary intoxication went

---

 "Ekonomicheskie uspekhi postrevoliutsionnoi Gruzii: mify i real′nost′," *Vestnik Instituta Kennana v Rossii,* 2011, no. 19, pp. 7–18. Available at http://www.kennan.ru/index.php/kennan/content/download/8687/44972/file/Vestnik19.pdf.

V. Papava is a Doctor of Economic Sciences, professor, corresponding member of the National Academy of Sciences of Georgia, senior fellow at the Georgian Foundation for Strategic and International Studies, chief research fellow at the Paata Gugushvili Institute of Economics of Javakhishvili Tbilisi State University, former minister of the economy (1994–2000), and member of parliament (2004–8).

Translated by James E. Walker.

faster in Georgia itself than in the West, which is not hard to explain: its citizens experienced for themselves all of the "charms" of revolution, while foreigners to this day frequently take wishful thinking for reality.[3] Nevertheless, even those analysts who were a priori inclined to view the leaders of the revolution in a positive light could not close their eyes to some undemocratic tendencies in Georgia's development (e.g., the subjugation of the judiciary system to the government).[4]

The events of November 7, 2007, when the government dealt harshly with the demonstrators, fostered a more critical attitude toward the Georgian authorities.[5] While after the Rose Revolution it was noted that the ruling regime combined democratic and authoritarian elements,[6] after the November events it was deemed close to antidemocratic.[7] By now, Georgia, like Russia and Armenia, is placed in the group of so-called hybrid states.[8]

As for the reform of Georgia's economy, considerable experience has been accumulated in this sphere, both positive and negative.

As we know, any field of social life is subject to mythmaking. The economy is no exception: there are quite a few myths here, and debunking them is one of the duties of economists.[9]

A great many myths that are generally created by politicians and disseminated by the mass media have also accumulated in relation to postrevolutionary Georgia. Recent publications have helped to dispel delusions and stereotypes,[10] including some associated with economic reforms.[11]

The purpose of this article is to reveal the real successes of postrevolutionary reform of the Georgian economy and debunk the main myths surrounding these reforms. To do this, first, it is necessary to briefly describe the prerevolutionary development of the country's economy, which will help give a better understanding of the problems that the revolutionary leaders faced after they came to power.

The prerevolutionary economic development of independent Georgia

We arbitrarily divide the economic development of Georgia in 1991–2003, which was characterized by certain successes of reforms as well as many serious mistakes,[12] into three periods: a period of ignoring the economy, a period of purposeful reform, and a period of growing corruption.

The period of ignoring the economy (1991–first half of 1994) was marked by an almost threefold drop in production, and hyperinflation (for instance, in 1993–94 inflation was 50–70 percent per month).[13] The Georgian coupon—a temporary currency put into circulation in the spring of 1993—lost value at such a high rate that the only good that it could purchase was bread, because bread was produced mostly in the public sector and its prices were set at an artificially reduced level. As a result, the Russian ruble was used in circulation.

In 1993–94, the state budget was not enacted in time, parliament approved government spending on a quarterly basis, the budget's only source of revenue was loans to the government from the National Bank of Georgia (NBG), and commercial banks were extending limitless credit.

Only the liberalization of prices in 1992 (except for the price of bread) can be considered a significant step toward a market economy, but because of the shortcomings of the financial system mentioned above (the lack of a state budget and uncontrolled issuance of money), this led to a considerable drop in production, high inflation, and unprecedented devaluation of the national currency.[14]

Starting in the second half of 1994, the government of Georgia ended its inexcusable neglect of what was happening in the economy. *The period of purposeful reform*[15] began, which lasted until 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. As a result, hyperinflation was stopped, as was the decline in production. Georgia has had a state budget approved by parliament since 1995. In the fall of that year, currency reform was successfully conducted. The new national currency, the lari, replaced not only the Georgian coupon in circulation but also the Russian ruble.

By gradually increasing the price of bread and, in parallel, privatizing the bakery system, bread prices were completely liberalized by the summer of 1996.

All of these reforms were carried out in close cooperation with the International Monetary Fund (IMF) and the World Bank.[16]

As a result, economic growth began in Georgia after 1995, and the country got out of its hyperinflation spiral.

Georgia had to endure a special test in the fall of 1998, when, because of the August default in Russia, the lari began to depreciate. In the absence of a boundary with Russia controlled by the Georgian authorities in the South Ossetian and Abkhazian sections, the smuggling of Russian goods (which were cheap because of the default) as well as the use of Russian military bases for flooding Georgia with devalued rubles, led to U.S. dollars streaming out of the Georgian market into the Russian one. As a result, the lari lost 70 percent of its value. However, effective steps taken by the government and the NGB prevented any bankruptcies of commercial banks during this very difficult period.[17]

After 1999, President Eduard Shevardnadze listened less and less to expert advice, and incompetent and clearly corrupt people were brought into the government. *The period of growing corruption* began.

Due to large-scale corruption in the energy industry, from the middle of fall until the middle of spring electricity was supplied for only a few hours a day. The situation in Tbilisi was considerably better; however, in some regions of the country there was no electricity at all in the wintertime, and in the summer it was supplied with significant limitations.

During this period the budget crisis was gaining strength.[18] It had begun back in 1998, when actual state budget revenues started to lag substantially behind the planned level. In 1999, they were about 70 percent of what was planned. This process lasted until 2003.

One noteworthy feature of the Georgian budget crisis is the so-called budget war between the center and a region (the Ajarian Autonomous Republic), which lasted about ten years. The autonomous republic's authorities did not transfer to the central budget the part of the tax revenues collected on its territory that was specified by law. According to statements by the leaders of the autonomous republic, this was because transfers from the central budget that were owed to the republic were not fully received. The central budget and almost all regions of Georgia suffered from this "war."

In order to create the appearance of executing the revenue part of the budget, representatives of the authorities resorted to various kinds of machinations. They made widespread use of methods such as preliminary extraction of taxes from firms, "forwarding" of budget funds from one item to another, returning money that had been paid to the budget to the respective taxpayers on the basis of falsified documents, fictitious offsets, artificial overstatement of prices for government purchases, and so forth.

In 2002, the IMF suspended its program in Georgia, which was the result, on the one hand, of the government's inability to enact and execute a realistic state budget and, on the other hand, of the curtailment of almost all of the reforms to democratize the society and establish a market.

In June 2003, President Shevardnadze approved, by his own decree, an Economic Development and Poverty Reduction plan for Georgia[19] for 2003–15, which was drafted by government organizations together with representatives of nongovernmental organizations and Georgian academics, with the involvement of experts from international organizations and donor countries. Unfortunately, due to the lack of political will, the government was unable even to start implementation of this program, which complicated relations with the IMF and other international donors to the utmost.

As a result of the government's failures in all aspects of the budget process, the gap in the 2003 state budget was on the order of 15 percent of planned state budget revenues. By the end of 2003, the total debt to the public accumulated during the budget crisis, in the form of unpaid wages in the public sector and pensions, reached $120 million. Of this, about $70 million was owed for pensions (while the average monthly pension was less than $7).

As a result, Georgia had a 52 percent poverty level.

It was the exacerbation of social problems that caused universal dissatisfaction with the Shevardnadze administration and an uprising of revolutionary sentiment.

Postrevolutionary economic achievements

The concentration of power in the president's hands is the main feature of Georgia's postrevolutionary development. In February 2004, at the initiative of President

Mikhail Saakashvili, parliament altered the country's constitutional model by introducing the institution of a cabinet of ministers. On this basis, in the event of a conflict between the parliament and the government, the president was given the right to disband one of them. Such constitutional changes significantly weakened the parliament, since it would not be in the deputies' interest to aggravate relations with the government.

The strengthening of presidential and weakening of parliamentary authority had both positive results (imposition of order) and negative results (increased authoritarianism).

Among the positive consequences, we have to point out the sharp reduction in government staff and the improved efficiency of its activity in establishing financial order in the country. In particular, with significant tightening of tax administration, almost all of the unlawful practices involving fictitious execution of the revenue part of the budget were ended. As a result, in 2004 the budget crisis was completely overcome. This served as the main impetus for resumption of the IMF program in Georgia.[20]

After the Rose Revolution, many people expected that interrelations between the leaders of Georgia and Ajaria would improve, and the budget war between them would come to an end. The illusoriness of these hopes soon became evident.[21] However, as a result of the revolution in Ajaria on May 6, 2004, almost all of the problems in the center's interrelations with that region were solved, and the budget war became a thing of the past.[22]

Important steps were also taken toward stepping up the fight against criminality, which was reflected in improvement of the business climate. At the same time, the system for obtaining licenses and various kinds of permits for starting a business was considerably simplified.[23]

The strengthening of presidential authority facilitated expansion of the active fight against corruption. We should especially point out the abolition of the traffic police that had existed since Soviet times, and the rapid creation of Western-style police patrols instead. As a result, the tradition of bribery on the roads of Georgia was completely eradicated, which enhanced the country's role in the system of international transportation corridors.[24]

No less impressive were the results of reforming the system of examinations for admission to universities, which had been infamous for corruption since Soviet times. The examinations were taken away from higher educational institutions and held on a national level. According to public opinion, this made it possible to eliminate bribery in university admissions.

Significant growth in the revenue part of the state budget was achieved, among other ways, through the practice of "ransom for freedom." Many former officials suspected of corruption and their relatives (especially the friends and family of Eduard Shevardnadze) were arrested and released only after paying a certain amount of money to the government. Formally, it was thought that in this way corrupt bureaucrats were returning stolen money to the treasury; however, there were no explanations of how the amount of ransom corresponded to the losses that these people had caused the government.

As a result of the fight against corruption in the energy industry, starting in the winter of 2006–7 electricity began to be supplied throughout the whole country.

The government initiated large-scale privatization.[25] Considerable success was achieved in simplifying the registration of ownership.[26] The work of the civil register was qualitatively improved, making it much easier for citizens to obtain official documents.

Among the government's successes, we also need to point out tax reform, as a result of which the number of types of taxes was reduced by two-thirds and the tax burden was significantly lowered.[27]

However, along with the real achievements of the postrevolutionary government, many transformations in the economy were highly mythologized.

Main myths surrounding Georgia's economy

Myth no. 1: Georgia is a country of liberal reforms

Georgia has acquired this status thanks to the successes in reforming the economy mentioned above. Along with the decrease in government staff, the reduction in the tax burden, and the simplification of the procedure for obtaining licenses and various types of permits necessary for starting a business, we should also note the enactment of a new labor code, which limits employees' rights and significantly expands employers' rights. Such reforms were called neoliberal; it was emphasized that they help to make the country more attractive for investment.[28]

Thanks to these reforms, in the rankings of conditions for doing business compiled by the International Financial Corporation and the World Bank, Georgia moved from 112th place to 37th in 2006, to 18th in 2007, and to 12th place in 2010.[29] Naturally, the country's leaders advertise this achievement in every way possible. In reality, the situation is not as bright as the rankings make it seem.

After the Rose Revolution, many cases of violation of property rights accumulated in Georgia (security ministries forcing private owners to "voluntarily" give up ownership, or simply destroying privately owned buildings and spaces without a court ruling),[30] especially in relation to Georgian businesspeople (the government is more cautious in dealing with foreign companies, since they have more opportunities to draw attention to their problems outside of Georgia[31]). Considering, on top of this, the lack of judicial authority independent of the political elite, and the government's systematic gross interference in business[32] (not to mention frequent violations of human rights[33]), we can say with assurance that the authorities do not hesitate to use certain neobolshevist[34] measures in the economy.

With such a volatile mixture of neoliberal rhetoric and neobolshevist content of economic reforms, the ranking of business conditions mentioned above significantly whitewashes Georgian reality.

In our opinion, any rankings have to be treated with a certain amount of caution, since the results are largely determined by the methodology that is the basis of a survey of interested parties, which is conducted for the purpose quantitative appraisal of a particular event that is mostly qualitative in nature. It is easy to see this if we compare this with the 2010–11 global competitiveness rankings compiled by the World Economic Forum.[35] According to these rankings, the situation in Georgia is far from satisfactory: the country is in 93rd place overall, 116th in property rights, 104th in judicial independence, and in 135th place in the effectiveness of antitrust policy.

Instead of various kinds of rankings, the country's economic condition is much more adequately represented by statistical information indicating that the citizens of Georgia are in a rather difficult situation. Even according to official data, more than 20 percent of the population lives below the poverty level, which is 60 percent of median consumption (i.e., an average family's consumption). Experts estimate that 86 percent of the population has serious social problems.[36]

Myth no. 2: Georgia is a country free from corruption

Because a large-scale fight against corruption began immediately after the Rose Revolution and led to successes in the budget sphere, the electricity industry, and the activity of traffic police, the myth that the country was completely freed from corruption began to be cultivated, not without the government's participation.

Mass corruption really was reduced to a minimum, but the situation with elite corruption is much more complicated: from primitive bribery it has turned into more complex forms. However strange it may seem, this was fostered precisely by the beginning of the active fight against corruption. In particular, when former officials suspected of corruption and their families paid ransom for their freedom, the money did not fully go the state budget. In fact, immediately after the Rose Revolution, off-budget funds were created in security agencies (the public prosecutor's office, the interior ministry, and the defense ministry), and part of the money went into these funds. Since they were not subject to any oversight, it is not known how much money was accumulated in them or how it was spent.

Obviously, a measure such as collecting ransom for freedom is of a one-time nature. At best it can be used repeatedly but with fewer results. So businesspeople were subsequently forced to make contributions to these funds. Only after that did the IMF demand that the Georgian government eliminate them, which the government agreed to do, but not without a lot of foot-dragging.[37] The practice of "voluntary contributions" from businesses as assigned by the government for funding social measures is a typical element of postrevolutionary corruption schemes.[38]

After the revolution, a process of deprivatization began in Georgia, that is, a revision of the results of privatization, and reprivatization. By intimidating the owners of property that was privatized in the prerevolutionary period, officials from security ministries forced them to "voluntarily" give up ownership in favor of the state.[39]

Deprivatization harbors the risk of repetition, since those from whom property was taken away by force may wish to take revenge, and if opposition political forces come to power, the country may fall into a closed loop of constant deprivatization.[40]

As for privatization, this process can be characterized as nontransparent, which creates fertile soil for corruption.[41]

Myth no. 3: Georgia is a European-oriented country

Even before the Rose Revolution, Georgia did not conceal its Western orientation,[42] but in the postrevolutionary period its Euro-Atlantic choice became even more distinct. The desire to join NATO was especially emphasized, and ambitions to accede to the European Union were also openly displayed.

Brussels took significant steps to set up and deepen cooperation with some post-Soviet countries, including Georgia. For instance, since 2004 Georgia has cooperated closely with the EU in the framework of the European Neighborhood Policy, since 2007 in the Black Sea Synergy initiative, and since 2009 in the Eastern Partnership initiative.[43]

Formally, Georgia is actively propagandizing its European orientation, but as soon as it comes to taking real steps in that direction, the government's decisions are inadequate, to put it mildly.

For instance, after the Russian–Georgian armed conflict of August 2008, in the context of support for Georgia, already on September 1, 2008, the EU held a meeting of the Extraordinary European Council, at which Georgia was offered free trade with the European Union if it fulfilled certain conditions necessary for combining the economic spaces.[44] In particular, Brussels requested that Tbilisi enact antitrust laws of the European type (antitrust regulation in Georgia was abolished after the Rose Revolution) and change labor laws so that employees' rights would be protected. Although Tbilisi formally welcomed this offer from Brussels, just a few days later the government of Georgia signed a memorandum with the IMF in which it committed itself to avoid conducting these institutional reforms in the near future.[45] As we know, the IMF is mainly focused on maintaining macroeconomic stability, while the World Bank is generally engaged in institutional reforms. Thus, we can conclude that the relevant note in the memorandum was made at the initiative of the government of Georgia rather than the IMF.

Only since 2011 was the law on food security renewed, to date far there are only ongoing debates about signing a draft antitrust law, and there is no talk at all about changing labor laws.

A Charter on Strategic Partnership between the United States and Georgia was adopted in January 2009, and in it there is talk about entering into a free trade agreement.[46] In this case, while Brussels' conditions for reaching a free trade agreement were at least known, more than two years later Tbilisi has done practically nothing even to clarify Washington's conditions on the same question.

At the same time, Georgia's leaders are more and more enchanted not by the West but the East. Primarily, they find the experience of Singapore attractive,[47] as well as that of Dubai and Hong Kong.[48] In the words of President Saakashvili, from an economic point of view Georgia should develop on the model of Singapore.[49] The "European track" is seen at best in pronouncements such as: "Georgia should become Switzerland with elements of Singapore."[50] This completely ignores significant differences in the economic models of these two countries as well as their institutional system,[51] not to mention that Singapore's model is hardly suitable for Georgia[52] and that such development of the country is fundamentally at odds with the European choice that has been declared.[53]

Betting on Singapore, a country with an authoritarian ruling regime,[54] the leaders of Georgia underscore the neoliberal nature of its economy and primarily the absence of the kind of regulation that Brussels is demanding that Tbilisi institute in order to have free trade.[55] This representation of Singapore's economy is far from reality, since that country has fully operational institutions of both food security[56] and antitrust regulation.[57]

Having set out upon the path of "Singaporization," Georgia's leaders are moving the country farther and farther away from the EU and from the European type of economic system as a whole.[58]

Myth no. 4: There are no economic relations between Georgia and Russia

After the armed conflict in South Ossetia in August 2008 and the break in official diplomatic relations between Georgia and Russia, it was commonly thought that their economic relations were also broken off. This idea does not conform to reality, since Georgia is an exporter of labor to Russia, and Russia serves as one of the primary investors in Georgia's economy. With the significant limitation of foreign trade operations, trade between Georgia and Russia has been considerably curtailed now, but not completely cut off. For instance, according to official data, the portion of Georgian exports going to Russia fell from 17.8 percent in 2005 (i.e., the year before Russia prohibited imports of food products from Georgia) to 2 percent in 2008, and in 2010 it was 2.2 percent.[59] Russia's share of Georgian imports has also fallen, from 15.4 percent in 2005 to 6.7 percent in 2008 and 5.5 percent in 2010.[60] We should emphasize that in 2010 Russia was in fifth place in Georgia's foreign trade (after Turkey, Azerbaijan, Ukraine, and Germany), ahead of countries such as the United States, Bulgaria, China, and others.[61]

As we know, many citizens of Georgia and ethnic Georgians who have received Russian citizenship and live in Russia[62] send part of the money they earn to relatives living in Georgia. Russia's establishment of a visa system with Georgia, as well as the persecution of ethnic Georgians living in Russia that took place in 2006,[63] in parallel with development of the banking system, fostered increased use of banking channels for sending money, which, to a significant extent, replaced the system of delivering money to relatives with the help of friends returning home, which had become established in the post-Soviet space.[64] Not even the Russian–Georgian armed conflict of August 2008 affected this trend. In particular, in 2005 (i.e., the year before the beginning of the persecution of Georgians in Russia) a total of more than $403 million was transferred to Georgia, more than $240 million of which (59.6 percent of all remittances) came from Russia. By 2008, these figures had increased 150 percent (to $1.002 trillion) and 160 percent (to $634 million, or 63.3 percent of all remittances), respectively.[65] In 2009, because of the global financial crisis, the total amount of remittances to Georgia fell to $842 million (84 percent of the 2008 figure, and transfers from Russia dropped to $450 million (71 percent of the 2008 figure), which is primarily explained by the particular severity of the economic crisis in Russia. At that time, the portion of remittances from Russia to Georgia was 53.5 percent.[66] In 2010, in comparison with 2009, remittances to Georgia rose on the whole (to US$904 million), as did transfers from Russia (to US$530 million), as well as the portion of remittances from Russia, which was 56.4 percent.[67]

As for Russian investments in Georgia's economy, the available statistical information is so insufficient and inaccurate that one cannot draw any valid conclusions on its basis. The main reason for this is that many firms that make direct investments are registered in offshore zones, so it is almost impossible to trace the money's real origin. According to official statistical data, Russia was in third place in the amount of foreign direct investments in Georgia in 2010, after the Netherlands and the United States.[68] It has to be taken into account here that the problem of Russian investments in the post-Soviet space is closely connected with the concept of a "Liberal Empire"[69] that has been implemented by Russia since 2002. Georgia's postrevolutionary authorities actively promoted the country's involvement in this process.[70]

Thus, in spite of the absence of diplomatic relations, there is no basis for claiming that Georgia and Russia have no economic relations with each other.

In closing

After it came to power, Georgia's postrevolutionary government encountered the need to overcome the burdensome legacy of budget and energy crises by radically reducing the level of corruption. The government not only succeeded in accomplishing these objectives but also, to a significant extent, in liberalizing the laws regulating business. As a result, the country and its leaders received a lot of support from the international community, and the Georgian reforms began to be propagandized as highly successful. Many countries were interested in the possibility of using this experience.

However, along with the obvious successes, myths were also cultivated around the Georgian economic reforms. Such myths are harmful primarily to Georgia itself as well as to countries that show an interest in these reforms. It is important to distinguish the real achievements from the products of mythmaking.

The analysis that was done enables us to draw the following conclusions:

- Georgia is a country not so much of liberal reforms as of a symbiosis of neoliberalism and neobolshevism;
- Georgia is not free from corruption; new, more complex forms of elite corruption have developed here;
- Georgia does not adhere exclusively to a European orientation. The country's leaders have officially proclaimed the goal of "Singaporizing" the economy, and the achievement of free trade with the EU is being artificially impeded by the government's actions; and
- after the August war of 2008, Georgia maintained economic relations, including trade, with Russia.

Only the debunking of myths will enable Georgia to soberly assess its real successes, analyze the mistakes that have been made in the course of the reforms, and determine the vital objectives of economic development. Such an approach will send the proper signals to the international community for revealing unresolved problems and the spheres of the Georgian economy in greatest need of international financial and other assistance.

Notes

1. See, for example, N. Ascherson, "After the Revolution," *London Review of Books,* March 4, 2004, vol. 26, no. 5; available at www.lrb.co.uk/v26/n05/neal-aschersom/after-the-revolution; B. Coppieters and R. Legvold, eds., *Statehood and Security: Georgia After the Rose Revolution* (Cambridge: MIT Press, 2005); C.H. Fairbanks Jr. "Georgia's Rose Revolution," *Journal of Democracy*, 2004, vol. 15, no. 2; Z. Karumidze and J.V. Wetsch, eds., *"Enough." The Rose Revolution in the Republic of Georgia 2003* (New York: Nova Science, 2005); C. King, "A Rose Among Thorns," *Foreign Affairs,* 2004, vol. 83, no. 2; E. Miller, "Smelling the Roses: Eduard Shevardnadze's End and Georgia's Future," *Problems of Post-Communism,* 2004, vol. 51, no. 2; C. Welt, "Georgia: Consolidating the Revolution," Russia and Eurasia Program, Center for Strategic and International Studies, April 6, 2004; available at www.csis.org/media/csis/pubs/ci.consolidatingrevolution.04.06.05.pdf.

2. L.A. Mitchell, "Democracy in Georgia Since the Rose Revolution," *Orbis. A Journal of World Affairs,* 2006, vol. 50, no. 4; V. Papava, "The Political Economy of Georgia's Rose Revolution," *Orbis. A Journal of World Affairs,* 2006, vol. 50, no. 4.

3. I. Areshidze, *Democracy and Autocracy in Eurasia: Georgia in Transition* (East Lansing: Michigan State University Press, 2007).

4. S.F. Jones, "The Rose Revolution: A Revolution Without Revolutionaries?" *Cambridge Review of International Affairs,* 2006, vol. 19, no. 1.

5. M. Lanskoy and G. Areshidze, "Georgia's Year of Turmoil," *Journal of Democracy,* 2008, vol. 19, no. 4; L. Mitchell, "What Was the Rose Revolution For? Understanding the Georgian Revolution," *Harvard International Review,* February 27, 2008; available at http://hir.harvard.edu/what-was-the-rose-revolution-for/; V. Papava, "Georgia's Hollow

Revolution: Does Georgia's Pro-Western and Anti-Russian Policy Amount to Democracy?" *Harvard International Review,* February 6, 2008; available at http://hir.harvard.edu/georgia-s-hollow-revolution?page=0,0/.

6. G. Nodia, "The Dynamics and Sustainability of the Rose Revolution," in *Democratisation in the European Neighborhood,* ed. M. Emerson (Brussels: Centre for European Policy Studies, 2005); available at www.uquebec.ca/observgo/fichiers/57785_1267.pdf.

7. S. Jones, "Reflections on the Rose Revolution. A Tale of Two Rallies," *Harvard International Review,* March 16, 2008; available at http://hir.harvard.edu/reflections-on-the-rose-revolution?page=0,0/.

8. "Democracy Index 2010. Democracy in Retreat. A Report from the Economist Intelligence Unit"; available at http://graphics.eiu.com/PDF/Democracy_Index_2010_web.pdf.

9. See S. Guriev, *Myfy ekonomiki: zabliuzhdeniia i stereotypy, kotorye rasprostraniaiut i politiki* (Moscow: Iunaited Press, 2010); R.E. Hicks, W.J. Klages, and F.A. Raffa, *Economics: Myth, Method, of Madness* (Berkeley, CA: McCutchan, 1971); E.J. Mishan, *Economic Myths and the Mythology of Economics* (Atlantic Highlands, NJ: Humanities Press International, 1986).

10. See, for example, A. Applebaum, "Getting Past Mythmaking in Georgia," *Washington Post,* November 20, 2008; available at www.washingtonpost.com/wp-dyn/content/article/2008/11/19/AR2008111903533.html; L. Mitchell, *Uncertain Democracy: U.S. Foreign Policy and Georgia's Rose Revolution* (Philadelphia: University of Pennsylvania Press, 2009); I. Roubanis, "Georgia's Pluralistic Feudalism: A Frontline Report," *openDemocracy*, July 3, 2009; available at http:opendemocracy.net/article/Georgia-pluralistic-feudalism#/.

11. See, for example, V. Papava, "Anatomical Pathology of Georgia's Rose Revolution," *Current Politics and Economics of the Caucasus Region,* 2009, vol. 2, no. 1; I. Rukhadze and M. Hauf, "The Georgian Economy Under Saakashvili," *Financial,* April 21, 2009; available at www.finchannel.com/index.php?option=com_content&task=view&id=35088&itemid=13/.

12. N. Khaduri, "Mistakes Made in Conducting Economic Reforms in Postcommunist Georgia," *Problems of Economic Transition,* 2005, vol. 48, no. 4.

13. L. Gurgenidze, M. Lobzhanidze, and D. Onoprishvili, "Georgia: From Planning to Hyperinflation," *Communist Economies and Economic Transformation,* 1994, vol. 6, no. 2.

14. V. Papava and T. Beridze, "Problemy reformirovaniia gruzinskoi ekonomiki," *Rossiiskii ekonomicheskii zhurnal,* 1994, no. 3.

15. V. Papava and T. Beridze, "Ekonomicheskie reformy v Gruzii," *Rossiiskii ekonomicheskii zhurnal,* 1998, no. 1; V. Papava, "O khode reform i perspektivakh razvitiia ekonomiki Gruzii," *Obshchestvo i ekonomiki,* 1998, no. 2; V. Papava, "The Georgian Economy: Problems of Reform," *Eurasian studies,* 1995, vol. 2, no. 2; V. Papava, "The Georgian Economy: From 'Shock Therapy' to 'Social Promotion,'" *Communist Economies and Economic Transformation,* 1996, vol. 8, no. 8.

16. V. Papava, "On the Role of the International Monetary Fund in the Post-Communist Transformation of Georgia," *Emerging Markets Finance and Trade*, 2003, vol. 39, no. 5.

17. V. Papava, "O nekotorykh oshibkakh Mezhdunarodnogo valiutnogo fonda v Gruzii," *Voprosy ekonomiki,* 2002, no. 3.

18. V. Papava, "Ob osnovnykh makroekonomicheskikh indikatorakh 'revoliutsii roz' v Gruzii," *Obshchestvo i ekonomiki,* 2004, no. 7–8; V. Papava, "Georgia's Macroeconomic Situation Before and After the Rose Revolution," *Problems of Economic Transition,* 2005, vol. 48, no. 4.

19. Government of Georgia, *Economic Development and Poverty Reduction Program of Georgia* (Tbilisi, 2003).

20. V. Papava, "'Rozovye' oshibki MVF i Vsemirnogo banka v Gruzii," *Voprosy ekonomiki,* 2009, no. 3.

21. A. Gegeshidze, "Georgia's Regional Vulnerabilities and the Ajaria Crisis," *Insight Turkey,* 2004, vol. 6, no. 2; M. Tsereteli, "The Political Economy of the Ajarian Crisis," Central Asia-Caucasus Institute Analyst, April 21, 2004; available at www.cacianalyst.org/files/20040421Analyst.pdf.

22. "Saakashvili's Ajara Success: Repeatable Elsewhere in Georgia?" International Crisis Group, Europe Briefing, August 18, 2004; available at http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNOAN018787.pdf.

23. "Georgia After Three Years of Licensing Reform" (Tbilisi: IFC Georgia Business Enabling, 2008); available at www.ifc.org/ifcext/georgiame.nsf/AttachmentsByTitle/LicensingPolicyPaperEng/$FILE/LicensingPolicyPaper.pdf.

24. See, for example, V. Papava, "Ob osobennostiakh mezhdunarodnoi ekonomicheskoi funktsii Gruzii," *Tsentral′naia Aziia i Kavkaz,* 2002, no. 2.

25. N, Khtsidze, "Gruziia v ozhidanii 'agressivnoi privatizatsii,'" *Civil Georgia,* June 11, 2004; available at www.civil.ge/rus/article.php?id=5427&search/.

26. Ministry of Justice of Georgeia, *Reforms and Results*, National Agency of Public Registry (Tbilisi, 2009).

27. "The Tax Appeals System in Georgia" (Tbilisi: IFC Georgia Business Enabling, 2008); available at www.ifc.org/ifcext/georgiasme.nsf/AttachmentsByTitle/TaxAppealsSystemPolicyPaper1Eng/$FILE/TaxAppealsSystemPolicyPaperPartONE.pdf; www.ifc.org/ifcext/georgiasme.nsf/AttachmentsByTitle/TaxAppealsSystemPolicyPaper1Eng/$FILE/TaxAppealsSystemPolicyPaperPartTWO.pdf.

28. L. Gurgenidze, "Georgia's Search for Economic Liberty: A Blueprint for Reform in Developing Economies," *American Enterprise Institute for Public Policy Research, Development Policy Outlook,* 2009, no. 2; available at www.aei.org/docLib/02 percent20DPO20 percentJune percent202009 percent20newg.pdf; M. Udensiva-Brenner, "Kakha Bendukidze Analyzes Georgia's Economic Strategy: How Georgia Handled Its Economy After the War and the Economic Crisis," *At The Harriman Institute*, April 7, 2010; available at www.harrimaninstitute.org/MEDIA/01716.pdf.

29. World Bank Group, "Doing Business. Economy Rankings" (Washington, DC, 2010); available at www.doingbusiness.org/rankings/.

30. Human Rights Information and Documentation Center, "The Big Eviction. Violations of Property Rights in Georgia" (Tbilisi, 2009); available at www.humanrights.ge/admin/editor/uploads/files/Big percent20Eviction.pdf.

31. See A. Kellog, "Israeli Businessmen on Trial in Tbilisi," FOX News, January 11, 2011; available at http://liveshots.blogs.foxnews.com/2011/01/11/israeli-businessmen-on-trial-in-tbilisi/.

32. Rukhadze and Hauf, "The Georgian Economy Under Saakashvili."

33. Human Rights Information and Documentation Center, "One Step Forward, two Steps Back. Human Rights in Georgia after the 'Rose Revolution'" (Tbilisi, 2004); available at www.humanrights.ge/files/REPORT.pdf; Human Rights Information and Documentation Center, "Georgia: A Flickering Beacon of Democracy. Human Rights in Georgia in 2007" (Tbilisi, 2004); available at www.humanrights.ge/admin/editor/uploads/pdf/Annual Report HRIDC 2008.pdf.

34. "Oppozitsiia obespokoena faktami 'narusheniia prav na sobstvennost′,'" *Civil Georgia,* January 29, 2007; available at www.civil.ge/rus/article.php?id=12903&search/.

35. World Economic Forum, "Global Competitiveness Report 2010–2011" (Geneva, 2011); available at http://gcr.weforum.org/ger2010/.

36. D. Giorkhelidze, "Sotsial′noe polozhenie: sushchestvuiushchie problemy," *Kavkazskii aktsent,* 2010, no. 10, p. 40.

37. Z. Anjaparidze, "Georgian Government Questioned about Secret Funds," *Eurasia Daily Monitor,* The Jamestown Foundation, April 12, 2006, vol. 3, no. 71.

38. N. Khutsidze, "Polozhitel′nye i otritsatel′nye shtrikhi pravleniia 'rozovykh' vlastei v techenie goda," *Civil Georgia,* November 1, 2004; available at www.civil.ge/rus/article.php?id=6439/.

39. "Narodnyi zashchitnik predstal pered parliamentom s dokladom za 2006 god," *Civil Georgia,* May 25, 2007; available at www.civil.ge/rus/article.php?id=13613&search/.

40. V. Papava, "Corruption and Primary Accumulation of Capital in Transitional Economies," Ludvig von Mises Institute Working Papers, October 17, 2006; available at www.mises.org/journals/scholar/papava.pdf.

41. N. Gujaraidze, N. Barbakadze, K. Gujaraidze, R. Mchedlishvili, and K. Kakhaberi, "Aggressive State Property Privatization Policy on 'Georgian-Style Privatization'" (Tbilisi: Green Alternative, OSI, 2007); available at www/greenalt.org/webmill/data/file/publications/privatization_report_GA_2010(1).pdf.

42. For example, A. Rondeli, "The Choice of Independent Georgia," in *The Security of the Caspian Sea Region*, ed. G. Chufrin (New York: Oxford University Press, 2001).

43. For example, T. Mkrtchyan, T. Huseynov, and K. Gogolashvili, *The European Union and the South Caucasus. Three Perspectives on the Future of the European Project from the Caucasus. Europe in Dialogue 2009/01* (Gütersloh: Bertelsmann Stiftung, 2009); A. Sekarev, "European Integration Process of Georgia, the Republic of Armenia and the Republic of Azerbaijan: Achievements, Shortcomings, Challenges," in *Moving Closer to Europe? Economic and Social Policies in Georgia, Armenia and Azerbaijan* (Tbilisi: Centre for Economic Problems Research, 2010); available at http://cepr.ge/images/doc/CEPR percent20FES percent20Book percent20ENG.pdf.

44. Extraordinary European Council, Brussels, September 1, 2008, 12594/08. Presidency Conclusions (Brussels: Council of the European Union, 2008); available at www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/102545.pdf.

45. International Monetary Fund, Georgia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, September 9 (Washington, DC, 2008), p. 10; available at www.imf.org/External/NP/LOI/2008/geo/090908.pdf.

46. "Khartiia o strategicheskom partnerstve mezhdu SShA i Gruziei," *Civil Georgia,* January 10, 2009; available at www.civil.ge/rus/article.php?id=18483&search/.

47. See, for example, "Pravitel′stvo nadeetsia prevratit′ Gruziiu v global′nyi tsentr," *Civil Georgia,* January 28, 2008. http://www.civil.ge/rus/article.php?id=15565&search/.

48. See, for example: "Po slovam Saakashvili, cherez 5–7 let Gruziia budet pokhozha na Dubai," *Civil Georgia,* June 22, 2010; available at www.civil.ge/rus/article.php?id=20912&search/.

49. "Saakashvili o videnii praviashchei partii," *Civil Georgia,* June 15, 2010; available at www.civil.ge/rus/article.php?id=20895&search/.

50. "Saakashvili: 'Gruziia—Shveitsariia s elementom Singapura,'" *Civil Georgia,* June 15, 2010; available at www.civil.ge/rus/article.php?id=20508&search/.

51. Ia. Israelian, "Ekonomika Iuzhnogo Kavkaza: sblizhenie s Evropoi?" *Kavkazskii aktsent,* 2010, no. 11, p. 41.

52. Z. Dumienski, "Georgia: Singapore of the Caucasus?" *Eurasia Review. News and Analysis,* February 21, 2011; available at www.eurasiareview.com/analysis/georgia-singapore-of-the-caucasus-21022011/.

53. L. Mitchell, "Georgia's Paradoxes," *Faster Times,* November 9, 2010; available at www.thefastertimes.com/foreignpolicy/2010/11/09/georgias-paradoxes/.

54. It should be noted that, in addition to the president of Georgia, interest in the so-called Singaporization of the economy (and of the country as a whole) has also been shown by the president of Belarus (see, e.g., M. Shveits, "Lukashenko mechtaet o Singapure," *IA Rosbalt*, January 5, 2011; available at www.rosbalt.ru/2011/01/05/806809.html).

55. V. Maksoeva, "Ne Singapur, a Kipr!" *Kavkazskii aktsent,* 2010, no. 10, p. 40.

56. Agri-Food and Veterinary Authority of Singapore, "Always Dependable. AVA Annual Report 2009/2010" (Singapore, 2011); available at www.ava.gov.sg/NR/rdonlyres/0676D1EB-C401-4038-9D8D-84A01B52DD27/18268/ava0910_corporate.pdf.

57. Competition Commission of Singapore, "Regulations" (Singapore, 2010); available at http://app.ccs.gov.sg/legislation_Regulations.aspx.

58. V. Papava, "The Essence of Economic Reforms in Post-Revolution Georgia: What About the European Choice?" *Georgian International Journal of Science and Technology,* 2008, no. 1; V. Papava, "The European Vector of Economic Reforms in Post-Revolution Georgia," in *Georgia in Transition,* ed. L. King and G. Khubua (Frankfurt am Main: Peter Lang, 2009).

59. National Statistics Office of Georgia, "External Trade of Georgia by Countries, 2010 January–November. Export"; available at www.geostat.ge/index.php?action=page&p_id=137&lang=eng/.

60. Ibid.

61. Ibid.

62. Labor migration is a pressing problem for Russia. See, for example, S.V. Antuf′ev, "Realii trudovoi immigratsii v sovremennoi Rossii," *Pravo i bezopasnost′,* August 2005, no. 3 (16); available at http://dpr.ru/pravo/pravo_16_18.htm; Zh.A. Zaionchkovskaia, "Migratsiia mezhdu Rossiei i stranami SNG i Baltii: itogi poslednego desiatiletiia," *Analiticheskii vestnik Soveta Federatsii FS RF,* 2003, no. 10 (203); available at www.budgetrf.ru/Publications/Magazines/VestnikSF/vestniksf203-10/vestniksf203-10310.htm.

63. V. Papava, "Neliberal′naia 'liberal′naia imperiia' Rossii," *Project Syndicate,* February 28, 2007; available at www.project-syndicate.org/commentary/papava2/Russian/.

64. M. Kakulia, "Labor Migrants' Remittances to Georgia: Volume, Structure and Socio-Economic Effect," *Georgian Economic Trends,* October 2007, p. 56.

65. National Bank of Georgia, "Workers' Remittances by Major Partner Countries," Money Transfers by Countries; available at www.nbg.gov.ge/uploads/moneytransfers/money_transfers_by_countrieseng.xls.

66. Ibid.

67. Ibid.

68. "Priamye inostrannye investitsii v Gruziiu v 2010 godu sokratilis′ na 16 percent," *Civil Georgia,* March 12, 2011; available at www.civil.ge/rus/article.php?id=21772/.

69. A. Chubais, "Missiia Rossii v XXI veke," *Nezavisimaia gazeta,* October 1, 2003; available at www.ng.ru/printed/ideas/2003-10-01-1_mission.html.

70. V. Papava and F. Starr, "Ekonomicheskii imperialism Rossii," *Project Syndicate,* January 17, 2006; available at www.project-syndicate.org/commentary/papava1/Russian; Papava, "The Political Economy of Georgia's Rose Revolution," pp. 663–65; Papava, "The Essence of Economic Reforms in Post-Revolution Georgia, pp. 2–4; V. Papava, "Georgia's Economy: Post-Revolutionary Development and Post-War Difficulties," *Central Asian Survey,* 2009, vol. 28, no. 2, p. 204.