



## WHY UKRAINE AND GEORGIA HAVE NOT USED THE “WINDOW OF OPPORTUNITY”? NEO-INSTITUTIONAL ANALYSIS OF TRANSFORMATIONAL STAGNATION IN GEORGIA AND UKRAINE

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### Abstract:

The Cases of Ukraine and Georgia are examples of post-soviet countries where political attempts to overturn semi-authoritarian regimes have been staged through the two “colour revolutions”, the *Rose Revolution* in Georgia and *The Orange Revolution* in Ukraine. But both states failed to carry out fully democratic reforms, upheld most of the features of formal democracy while keeping informal methods of rule that characterized Kuchma’s and Shevernadze’s era (that breed arbitrary and corrupt power) and thus missed the “window of opportunity” that they were offered. Both Ukraine and Georgia face two different powerful actors, analysed through the lenses of neo-institutional theory: the EU, where formal democratic institutions channel and shape the political rule and the core state of the former Soviet Union, Russia, where in spite of the existence of similarly democratic institutions, the political regime rules through informal channels and ignores such institutions. Given this situation, external leverage can be more effectively applied by Russia due to her “soft power”, namely the attracting factor of his economy and social and information power that help her preserving the historical legacy (“path dependency”) of similar institution building in these countries. When necessary, as in Summer 2008 in the war against Georgia, Russia may apply “hard power” to thwart attempts to put into question Russia’s primacy. Therefore, neither Ukraine nor Georgia could achieve the same level of democracy and independence as the Baltic countries did.

**Keywords:** Rose and Orange Revolutions, Neo-institutionalism, External Leverage, “Soft Power”.

### Resumen:

*Los casos de Ucrania y Georgia destacan por tratarse de repúblicas ex-soviéticas donde ha habido serios intentos de poner fin a los regímenes semi-autoritarios que antes imperaban a través de las llamadas “revoluciones de color”, la Revolución de las Rosas en Georgia y la Revolución Naranja en Ucrania. Sin embargo ambos estados han fracasado en sus reformas democráticas, manteniendo gran parte de las características anteriores, es decir, democracia formal penetrada por métodos informales de gobierno (que permiten el uso arbitrario y corrupto del poder), tal y como fuese en tiempos de Kuchma y Shevernadze, no habiendo por tanto aprovechado la oportunidad que se les presentó. Tanto Ucrania como Georgia tienen en frente a dos actores, que vistos desde una perspectiva neo-institucionalista presentan en el caso de la UE, instituciones plenamente democráticas que funcionan según los principios en que se sustentan, o instituciones formalmente democráticas, pero que el poder logra circunvenir por vías informales, tal y como es en el caso de Rusia. Dada esta situación, la influencia externa puede ser utilizada con mayor éxito por Rusia dado su “poder blando”, es decir, el factor de atracción que ejercen su peso económico y la influencia social e informativa, para así preservar unas instituciones similares derivadas de un mismo legado histórico. Cuando se ha hecho necesario, Rusia ha acudido al “poder duro” para frustrar intentos de puesta en cuestión de la primacía rusa. Por tanto, ni Ucrania ni Georgia han podido alcanzar el mismo nivel de democracia e independencia que los países Bálticos.*

**Palabras clave:** *Revolución Rosa y Revolución Naranja, Neo-institucionalismo, Presión Externa, “Poder Blando”.*

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## 1. Introduction

Coloured revolutions in Georgia and Ukraine five and four years ago respectively were seen as tipping points on the way towards democracy in these countries. New political leaders came to power both in Tbilisi and Kiev and declared democratization and europeization as their main priorities. Seen in the terms of neo-institutional theoretical approach, such changes in Ukraine and Georgia opened “the window of opportunity” for institutional change<sup>2</sup>. It means that new political actors came to power and got the opportunity to change states’ institutional structure. However, democratic achievements in Georgia and Ukraine are not as impressive as one could have imagined five years after the “Rose” and “Orange” revolutions. Simple look at the statistics provided by Freedom House or Bertelsmann Foundation clearly shows that democratic institutions haven’t advanced much in these countries. Of course it is difficult to underestimate progress made by Georgia or Ukraine in such spheres as freedom of the media (Ukraine) or the fight with corruption (Georgia). Nevertheless, general look at the political process in these countries discloses the fact that democracy is still not “the only game in town”. Permanent political crisis in Ukraine, and the problems faced by Georgian president M. Saakashvili hints at serious democratic drawbacks.

In this article I try to answer the question “**why Ukraine and Georgia cannot reach the level of democracy, achieved by, for example, Baltic states?**” To do that, I employ theories of institutional change and democratic transition, provided by Cortell&Peterson<sup>3</sup> and Way&Levitsky<sup>4</sup>. Though more detailed description of the theoretical assumptions will follow in the next chapter, I will describe shortly the main features of my approach.

First, I use neo-institutional theory as an ontological background. Neo-institutionalism deals with variety of issues in political science. Understanding institutions as “shared rules of the game, identifiable in space and time and approved (practiced) by all members of society”, neo-institutionalism provides a theoretical framework for comprehensive analysis of political processes within and between states.

Second, I approach democratization processes in post-soviet space (namely, in Ukraine and Georgia) as the processes of institutional change. Theory of institutional change, provided by Cortell&Peterson is used as the starting point.

Third, theory of linkage and leverage, explicated by Way&Levitsky is employed in the analysis of external factors, which are seen as facilitating/aggravating transition from one institutional environment (autocratic post-soviet regimes of L.Kuchma and E.Shevardnadze) to the new one (democratic structures nurtured by V.Yuschenko and M.Saakashvili).

My argument is related to the inclusion of the second very important external factor (besides the “linkage to the West”<sup>5</sup>). This factor though seems very obvious, for some reasons is unreservedly eliminated from the examination of post-soviet transitions. It is the factor of Russia. To be more precise – the influence of Russian institutional structure on the development of post-revolutionary Georgia and Ukraine. Therefore, the impacts of two

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<sup>2</sup> See Cortell, Andrew P. and Peterson, Susan: “Altered States: Explaining Domestic Institutional Change”, *British Journal of Political Science*, vol. 29, no 1, (January 1999), pp. 177-203.

<sup>3</sup> *Ibid.*

<sup>4</sup> See Way, Lucan A. and Levitsky, Steven: “Linkage, Leverage, and the Post-Communist Divide”, *East European Politics and Societies*, vol. 21, no.1, (2007). pp. 48-66; Way, Lucan: “The Real Causes of the Color Revolutions”, *Journal of Democracy*, vol. 19, no.3, (July 2008), pp.55-69.

<sup>5</sup> Way and Levitsky, *op.cit.*, p.53.



different institutional structures, which compete in post-soviet space, are used as independent variables in the analysis. On the one hand, there is the EU, which is an attractive centre of gravity in terms of economic development and life quality level. On the other hand there is Russia, which has longstanding relations, common history and shared cultural values with many post-soviet states. It is argued that both players – EU and Russia – represent different structures of political, cultural and social institutions, i.e. rules of the game, which regulate individual and collective behaviour in social life. Though democratic regime is generally understood as the dominant and the most effective model of managing political affairs, different countries in the world still follow different “institutional paths”. In this paper EU is presented as the example and promoter of democratic “institutional structure”. On the other hand, Russia (despite the fact that “on the paper” it also declares principles of democracy) is presented as the example of alternative type of “institutional structure”. The hypothesis tested in this paper argues that the reason for transformational stagnation in Georgia and Ukraine is the institutional influence of the two most important external actors (EU and Russia). Their influence intersects in a „reverse interaction“, i.e. EU mainly supports the creation of formal [democratic] institutions, meanwhile Russia invests in the creation/sustenance of informal [mainly non-democratic] institutions. This “reverse interaction” complicates the transition process of both post-soviet states because pulls transformation into different directions – towards different institutional arrangements.

## 2. Institutional Change in Post-Soviet

Huge amount of literature has been written about transition and democratization processes in Central and Eastern Europe. Different approaches have been chosen by different authors, which produced a variety of answers to the main question – why are some former Soviet states more successful in transition to democracy than others? A lot of variables have been analyzed, ranging from the importance of “legacy of the past“, to variations in support of external actors. Several basic groups of approaches to the study of post-communist developments can be recognized. First, there are “teleological “transition” approaches, also known as “transitology,” typically associated with neo-liberal and neo-classical economic interpretations”<sup>6</sup>. Alternative “transformation” interpretations stem from evolutionary and institutional economics, the analysis of networks of economic embeddedness, Marxist political economy and regulation theory<sup>7</sup>. Finally, there are cultural approaches, which refer to the newer literature on the transfer of institutions<sup>8</sup>. However, as practice shows, there is the “increasing gap between the formerly socialist countries of Central and Eastern Europe with regard to both their economic and political performance that cannot be explained by their different starting conditions after the breakdown of the Soviet Union alone”<sup>9</sup>. Democratization achievements of Baltic States and countries like Ukraine and Georgia stand as the most evident example. Such discrepancies still inspire fervent discussions among researches. Still new theories emerge, which introduce new factors and try to cover still remaining gaps in explanation.

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<sup>6</sup> Pavlinek, Petr: “Alternative Approaches to Post-Communist Transformations in Central and Eastern Europe“, *Acta Slavica Iaponica*, no. 20, (2003), pp. 85-108, in [www.cceol.com](http://www.cceol.com).

<sup>7</sup> *Ibid.*

<sup>8</sup> Zweynert, Joachim, Goldschmidt, Nils: “The Two Transitions in Central and Eastern Europe and the Relation between Path Dependent and Politically Implemented Institutional Change“, *Journal of Economic Issues*, vol. 40, n° 4 (Dec. 2006).

<sup>9</sup> *Ibid.*



One of such gaps is the problem of external influences on transformation processes in post-soviet republics. Despite the fact that some articles and books (see Jacoby<sup>10</sup> for comprehensive overview) have been written about the positive impact of European Union on successful implementation of democratic and market economy reforms, some points have clearly been missed. Many authors have convincingly argued that carrots and incentives, presented by European Union, are of greatest importance for states undergoing transformation processes. Empirical examples of many Central European and Baltic States also prove the importance of external influence. However, what has been underestimated so far is the fact that in practice many other post-soviet countries, especially former USSR republics, face not unilateral, but at least two-sided external influence. The problem here is that too much literature is produced about the impact of “Europeanization”, but very few focuses on the impact of Russia. Meanwhile, a lot is written about problems of transition in Russia and its differences (historical, cultural, institutional, geopolitical etc.) but these two topics (simultaneous influence of EU and Russia) are very rarely analyzed together. I argue that namely the simultaneous institutional impact of external normative and practical institutional structures of both Europe and Russia is the most important factor under current conditions in such countries as Ukraine and Georgia. It is an obvious and inexcusable mistake to leave the impact of Russia out of sight in the analysis of post-soviet transformation.

Several important empirical factors support the argumentation in favor of such analysis. First, despite the initial optimism regarding Russia’s conversion to democracy, which was associated with Yeltsin’s reforms, last years have clearly shown that Moscow has gone different path. Vertical of power in domestic policy, Great Power status on international arena, neo-imperialistic (or, as C.Wallander puts it – trans-imperialistic<sup>11</sup>) ambitions – all these are apparent tendencies in modern Russia. Related to such changes also are Moscow’s ambitions regarding the closest neighbors – former Soviet Republics. Popular view, shared by many Russian politicians, states “that if Moscow only passively watches other countries propose their models for settling conflicts and solving problems in regions that are vital to it, no one will guarantee that Russia’s interests will be met. This is why a passive position is absolutely detrimental for us.”<sup>12</sup> Such propositions imply Russia’s willingness to propose its own way of transformation to the countries, which are still looking for their appropriate ways of development. It is also obvious that Russian proposals are fundamentally different to those coming from the West (i.e. European Union). The biggest differences, as pointed by many Russian and Western researchers, are institutional. According to Svetlana Kirdina, Russia and West represents two different types of “institutional matrixes” (see Annex 1) – matrix X (Russia) and matrix Y (West)<sup>13</sup>, which characterize the different institutional structure of societies and determine different ways of evolutions of the corresponding states. Many other authors support such approach (V.Bunce, V.Gel’man, etc.). Second, there is another center of gravity on the western borders of Ukraine and Georgia – European Union. It has its own values, rules of the game, and appropriate institutions. The EU has its own goals and ambitions regarding the neighboring region. Creation of the “ring of friends“ on the borders of the EU is officially declared, which in practice means “transplantation“ of European

<sup>10</sup> Jacoby, Wade: “Inspiration, Coalition, and Substitution. External Influences on Postcommunist Transformations“, *World Politics*, no. 58 (July 2006), pp. 623-651.

<sup>11</sup> Wallander, Celeste A.: “Russian Transimperialism and Its Implications“, *The Washington Quarterly*, vol. 3, no. 2, pp. 107-122 in [http://www.twq.com/07spring/docs/07spring\\_wallander.pdf](http://www.twq.com/07spring/docs/07spring_wallander.pdf).

<sup>12</sup> Kosachev, Konstantin: “Russia and the West: Where the Differences Lies” *Russia in Global Affairs*, n° 4, (October - December 2007).

<sup>13</sup> Kirdina, Svetlana: “Institutional Matrixes and Development in Russia”, *Summary of “Institutional Matrices and Development in Russia”*, available at <http://www.hicsocial.org/Social2003Proceedings/Svetlana%20Kirdina.pdf>.



institutions and rules of the game to Eastern neighbors' political (as well as economic and legal) systems. Such institutional export is based on the successful earlier attempts in the case of [former] candidate countries in Central and Eastern Europe.

## 2.1 Neo-Institutionalist Approach

The consequence of these two empirical observations<sup>14</sup> is a new research problem, which hasn't been analyzed appropriately - what impact does the overlapping influence of Russia and the EU have on the transformation processes in Ukraine and Georgia? Attempts should be made to answer this question, which has not only empirical, but also theoretical importance. On a theoretical level such approach towards post-communist problems is especially interesting from institutional point of view. Institutional theory (new institutionalism) includes different ontological positions, ranging from rational choice to normative or historical approaches. What is common to all of them is the agreement that "institutions matter". Though different branches describe the term "institutions" differently, they all share the general trend to define institution as "related complex of rules and norms, identifiable in space and time"<sup>15</sup>. Other important characteristic of institutional analysis is the distinction between *formal* and *informal* institutions<sup>16</sup>. This distinction is of crucial importance for the analysis of Russian and European influence on post-soviet republics. I argue that one of the main shortcomings in post-soviet research is the underestimation of the conflict between formal and informal institutions, which are imposed by different players. That is to say, external players, who have something to say regarding the Ukraine's or Georgia's political and economical developments, have chosen different tactics to achieve their goals. The EU (and the West in general) is working mainly with "traditional" – formal – institutions, which are prescribed in laws and clearly visible. Such formal approach (main evidence of it – requirement to implement *acquis communautaires* and other internationally agreed norms of appropriate behavior) is legitimated by the belief that post-soviet countries are some kind of *tabula rasa* and all they need is the "good experience" of advanced Western community how everything should work<sup>17</sup>. It is very simplified explanation of the EU's approach, but it has much in common with the reality. On the other hand, Russia has its own understanding how the political and economic system should look like. And due to believe that post-soviet republics still are in the "Russian sphere of influence", Moscow is actively trying to preserve its own "rules of the game". However, Russian attempts to do that are implemented on other level – level of informality. "After several years of economic growth, Russia has a new "soft power" role that extends far beyond its energy resources. Indeed, the penetrating forces of Russian power in Ukraine, the Caucasus, and Central Asia are no longer the Red Army. They are Russian natural gas and the giant gas monopoly Gazprom. They are also Russian culture, consumer goods, and job opportunities"<sup>18</sup>. According to V.Gel'man, J.Borocz and others, „the dominance of informal institutions is likely to continue indefinitely in Russia's political regime"<sup>19</sup>. In other words, when Europe is trying to introduce laws and practices, based on

<sup>14</sup> I.e. the existence of two centers of gravity between which transitional countries find themselves and which differ in terms of internal institutional structures but have similar intentions towards countries in-between

<sup>15</sup> Keohane, Robert O.: "International Institutions: Two Approaches", *International Studies Quarterly*, vol. 32, no. 4 (Dec. 1988); Beck, Robert J.; Arendt, Anthony C. and Vander Lugt, Robert D. (eds.) (1996) :*International Rules: Approaches from International Law and International Relations*, New York, Oxford University Press, p.192.

<sup>16</sup> North, Douglass C. (1990): *Institutions, Institutional Change, and Economic Performance*, New York, Cambridge University Press.

<sup>17</sup> Robinson, Neil (2000): *Institutions and Political Change in Russia*, New York, St.Martin's Press, pp.2-3.

<sup>18</sup> Hill, Fiona: "Moscow Discovers Soft Power", *Current History*, vol. 105, no. 693 (October 2006).

<sup>19</sup> Gel'man, Vladimir: "The Unrule of Law in the Making: the Politics of Informal Institution Building in Russia", *Europe-Asia Studies*, vol. 56, no. 7, (November 2004), p.1023.



“Copenhagen criteria“, Russia is working silently supporting “rule by law“, corruption, blat, clientelism and similar informal institutions. From the point of view adopted in this paper, it is the biggest problem for countries in between Brussels and Moscow. CEE and Baltic States haven’t faced this problem in such severe way as Ukraine and Georgia do today. It can be explained by Russia’s weakness (both internal and international) at the time when CEE and Baltics were undergoing most important stages of transformation. Former Soviet republics in Central Asia and such country as Belarus also haven’t faced this problem (at least for now), because they dissociate themselves from the European Union and West in general.

In short, this paper is an attempt to fill in two gaps, existing in the post-soviet studies. First, I try to analyze the impact of two simultaneously working external forces, which make impact on transformation processes in Ukraine and Georgia. Second, I put the stress on the interaction between formal and informal institutions, supplied from outside. In this respect the paper is an attempt to provide additional insights to the problem, raised by Helmke&Levitsky. They argue that “much current literature assumes that actors’ incentives and expectations are shaped primarily, if not exclusively, by formal rules. Such a narrow focus can be problematic, for it risks missing much of what drives political behavior and can hinder efforts to explain important political phenomena”<sup>20</sup>. Having these two inter-related questions in mind I hypothesize that actions of two most important external actors (EU and Russia) towards Ukraine, Georgia and Moldova complements each other in a “reverse interaction“, i.e. EU mainly supports the creation of formal institutions, meanwhile Russia invests in the creation/sustenance of informal institutions. In other words, the EU focuses on the creation of institutional framework, based on its own experience and know-how, while Russia works hard on the contents that would fill in the formal institutional framework [created by the EU]. The winner in this situation, at least under current circumstances, is Russia because eventually it would have the practical control of institutional structures, where most important political and economical decisions are made. Namely this “reverse interaction” is the main [external] factor which hinders Ukraine, Moldova, and Georgia from successful completion of transformation.

## 2.2 External Linkage and Leverage Explained

How to measure “reverse interaction”? What criteria should be used for this purpose? And an even more difficult question – how to analyze informal institutions? How one can find causal relationship between external player’s (Russia) influence and problems of democracy consolidation in Georgia and Ukraine? Though it may seem obvious that Russia is not happy with their democratic choice, Moscow does not say that it is trying to introduce authoritarian regimes in these countries. To answer these questions the theory of external linkage and leverage, proposed by S.Levitsky and L.Way<sup>21</sup>, is employed.

According to this theory, “an important source of the post-communist divide between a relatively democratic Central and Southern-eastern Europe on one side and a highly autocratic former Soviet Union on the other is the different character of the international environment in the two regions”<sup>22</sup>. The character of international environment is measured along two key dimensions: *Western leverage* and *linkage to the West* (see Annex 2).

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<sup>20</sup> Helmke; Gretchen and Levitsky, Steven: “Informal Institutions and Comparative Politics: A Research Agenda”, *Perspectives on Politics*, vol. 2, no. 4, (December 2004), p. 725-726.

<sup>21</sup> Way and Levitsky, *Op.cit.*

<sup>22</sup> *Ibid.*, p.48.



According to Way and Levitsky, “most important source of linkage is geographic proximity”<sup>23</sup>. However, in the case of Ukraine and Georgia both countries are of the same proximity to the West and to Russia. The length of Ukraine’s borders with EU countries is 1152 km. Its border with Russia constitutes 1576 km. Georgia has no direct border with the EU. Its neighbourhood consist of other post-soviet states and Turkey. The border with Russia is the longest – 723 km (other neighbours: Armenia - 164 km, Azerbaijan - 322 km, Turkey - 252 km). None of Georgia’s neighbors can be named democratic or European states.

Therefore, geographic linkage seems to be eliminated as important factor (at least in the case of Ukraine). Other linkages play a crucial role. The most important consequence the linkage can make is the adoption of the “rules of the game”. Rules of the game in this context should be understood as the main principles and patterns, which bound political decision makers in their actions. It’s the institutions in the institutional theoretical approach - “related complex of rules and norms, identifiable in space and time”<sup>24</sup> or “the formal and informal rules that constrain human [economic] behavior”<sup>25</sup>.

Referring to other authors, Way and Levitsky state that “in the post-cold war era, linkage to the United States and European Union has been a major engine of democratization. <...> it has heightened the international reverberation caused by autocratic abuse, thereby raising the cost of such abuse; created domestic constituencies for democratic norm-abiding behavior; and reshaped the domestic distribution of power and resources, strengthening democratic and opposition forces and weakening and isolating autocrats”<sup>26</sup>. Such approach confirms the central role of Western players in democratization processes of post-soviet states. However, this paper premises that not only weak Western linkage is the cause of stalled democracy in Ukraine and Georgia. Pressure from Russia – the other important external actor – has to be taken into account as well. Though Way and Levitsky make some hints at Russia’s role<sup>27</sup>, they do not elaborate the relationship between overlapping influence of both West and Russia. I think that namely that overlapping influence plays in favor of Russia, which is striving to prevent democratization in Ukraine and Georgia since sees these countries as falling into Moscow’s sphere of influence. Secondly, Russia is in better position to make impact in post-soviet countries comparing to EU because of Ukraine’s and Georgia’s “path dependency”, i.e. “rules of the game” inherited from soviet history.

In order to estimate the influence of “reverse interaction” this paper provides the following analysis. First, main features and characteristics of Russian and European internal institutional structures are presented. It encompasses main “rules of the game” which are followed in the EU and Russia respectively. The aim of such comparison is to provide evidence that Russia and European institutional structures are substantially different. Second, some historical investigation on Ukraine’s and Georgia’s internal institutional structures is made in order to present their stronger proximity to Russian rather than European system. Third, linkage to both Russia and the EU are analyzed. This analysis is supposed to reveal a relative influence which external actors may possess in Ukraine and Georgia. Finally, it is anticipated that a relationship would be find between bigger Russian linkage and pure democratic performance of Ukraine and Georgia.

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<sup>23</sup> *Ibid.*, p.54.

<sup>24</sup> Keohane, *op.cit.*, p.192.

<sup>25</sup> Douglass, *op.cit.*

<sup>26</sup> Way and Levitsky, *op.cit.*, p.54.

<sup>27</sup> *Ibid.*, p. 58-59.



There are some theoretical presumptions in this research as well. First, I don't question the dominant position of many neo-institutional theorists, that institutional change is the "path dependency" process – it is incremental and gradual. Radical changes are only possible in the face of crisis, since such situations provide political leaders with the opportunity to implement new ideas and materialize them in new institutions. It is the theory of "critical junctures" which states that history consists of the "normal periods" (characterized by gradual institutional change and adaptation) and "critical junctures" or "windows of opportunity" (situations, when radical and rapid institutional changes are possible). Ukraine and Georgia are interesting cases in this respect since both of them have experienced "critical junctures" very recently. Namely Rose revolution in Tbilisi (end of 2003) and Orange revolution in Ukraine (end of 2004) are these "critical junctures". Second, I test the model of institutional change, provided by Cortell&Peterson, which argue that three conditions are to be met if we expect the domestic structural change<sup>28</sup>: (1) international and domestic events (**triggers**), including both crises and gradual pressures, **open windows of opportunity** that provide policy officials with the potential to transform existing institutions; (2) whether an institutional change follows a window of opportunity depends on the **actions and interests of state officials**; and (3) state officials' ability to capitalize on a window of opportunity depends on their **institutional position or capacity**. The intention of this research is to prove that external factors (linkage to external players) can hinder institutional change (democratization process) even if all three conditions presented by Cortell&Peterson are met.

### 3. Russia and European Union – Two Types of institutional Structures

First task in the framework of our research is the presentation of European Union's and Russia's institutional structures and their comparison. Internal rules of the game followed in decision making process are the main focus. Both players are examined in this respect as two different types of democracy. European Union is perceived as "genuine/classical type" and Russia is presented as the "sovereign democracy" according to its dominant domestic discourse on this question. Methodologically, there is a problem with the analysis of European Union as independent and sovereign player. It is still not the real subject of international politics (though it is striving to become one). Due to this unclear EU's subjectiveness, it may be difficult to apply standards prepared for the analysis of a nation-state to the international organization, which the EU is still remaining (without the adoption of European Constitution). However, methodologically it is possible to avoid this problem by adopting process-based concept of democracy. It means that democracy is understood as a set of rules, which regulate different elements of political and social life among main players. For this purpose I use the definition of democracy, proposed by H.Lauth: „**Democracy** is a constitutional kind of rule, which allows the self-determination of all citizens (in the sense of sovereignty of the people) by guaranteeing their decisive participation in free and fair elections and/or in political decisions. The concept includes the possibility of a continuing influence on the political process and the control of power. Democratic participation on the political power finds its expression in the **dimensions of freedom, equality** and political and **juridical control**“<sup>29</sup>. Such definition provides the possibility to compare separate elements of

<sup>28</sup> See: Cortell; Peterson, *op.cit.*, p.179.

<sup>29</sup> Lauth, Hans-Joachim: "Informal Institutions and Political Transformation: Theoretical and Methodological Reflections". - *Paper for presentation* at the ECPR Joint Sessions of Workshops, Uppsala (April 14.-17. 2004) available at <http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/uppsala/ws18/Lauth.pdf>.





political process used by different subjects (be it states or international organizations) (See Annex 3).

### 3.1 Democracy in European Union

I will limit the analysis of EU's level of democracy by referring only to its main institutional (understood as the rules of the game) principles. Though discussion about the "democratic deficit" in the EU<sup>30</sup> is well known, it is also quite obvious that main democratic institutions are firmly established in the EU decision-making process. According to data provided by Freedom House, EU and its Member States are the world leaders in terms of democracy, political freedom and other features, usually associated to democratic societies. At the same time, "once the Union is recognized for what it is – an innovative polity, where power is shared by a large number of players, with many participation and influence-wielding mechanisms, constantly adapting its institutions to the requirements of its component parts – it becomes apparent that on the whole it complies no less with democratic legitimization standards than do member states, even if multiple, and potentially conflicting legitimization channels and principles may confuse observers"<sup>31</sup>. Shortly, EU's institutional structure in this paper is treated as democratic since it has the highest performance in such indicators as the rule of law, corruption perception index, freedom of the press etc. Theoretically EU represents what S.Kirdina calls Y-matrix. The following basic institutions belong to a Y-matrix<sup>32</sup>:

- in the economic sphere: *institutions of market economy*;
- in the political sphere: *institutions of federative (federative-subsidary) political order*;
- in the ideological sphere: *institutions of the ideology of subsidiarity* which proclaims the dominance of individual values over values of larger communities, the latter bearing a subsidiary, subordinating character to the personality, i.e. a priority of I over We.

Though using different terms, Zweynert&Goldschmidt<sup>33</sup> also distinguishes such institutional structure (they call it "extended order" system of social organization) and put it as opposite to a "holistic order". A **holistic society** is characterized by an ideology or religion that claims validity for all spheres of action and thought. In a society where general binding moral prescripts govern men's conduct, there will not be much functional differentiation. Functional differentiation means that people act according to an economic, i.e. capitalistic logic, when buying and selling things, to a political logic, when searching for solutions to political problems, to a juridical logic when judging a crime and so on. Yet if everything – as in a holistic society – is subordinated to the one and only religious or political rationality, it follows suit that there cannot emergence different 'value spheres'. Quite differently things are arranged in **an extended order society**. In such system there is no sole generally binding logic according to which the system is organized, but a multitude of competing rationalities. The functioning of an extended order does not rest on "common concrete ends", but on highly

<sup>30</sup> See: Follesdal, Andreas and Hix, Simon: "Why there is a democratic deficit in the EU", *European Governance Papers* (EUROGOV) No. C-05-02,(2005). Moravcsik, Andrew: "In defence of the "democratic deficit": reassessing legitimacy in the European Union", *Journal of Common Market Studies*, vol. 40, no. 4 (Nov. 2002).

<sup>31</sup> Micossi, Stefano: "Democracy in the European Union", Center for European Policy Studies (CEPS), *Working Document*, no. 286 (February 2008), in [http://shop.ceps.eu/downfree.php?item\\_id=1618](http://shop.ceps.eu/downfree.php?item_id=1618).

<sup>32</sup> Kirdina "Institutional Matrixes...", *op.cit.*

<sup>33</sup> Zweynert, Joachim and Goldschmidt, Nils: "The Two Transitions in Central and Eastern Europe and the Relations Between Path Dependent and Politically Implemented Institutional Change", Hamburg Institute of International Economics *Discussion Paper*, no. 314, (10 March 2005).



formal and abstract rules. Extended societies are composed of different subsystems, functioning according to their own kind of rationality<sup>34</sup>. It means that politics, economy, culture, and religion are separated from each other.

### 3.2. Russian Institutional Structure

As it was already mentioned, Russia represents the X-matrix or the “holistic society”. The term “sovereign democracy” is usually preferred by Russians themselves<sup>35</sup>. However, it does not mean that Russian type of democracy has at least something in common with European understanding of this term. N.Popescu very clearly explains the essence of Russian understanding of democracy<sup>36</sup>:

*“This notion is centered around two core ideas. First is the idea of sovereignty. This concept is understood as non-interference from the West. The emphasis on ‘sovereign democracy’ is meant as a counterexample to post-revolutionary Ukraine and Georgia, which in Moscow’s view are ruled from the outside. Second is the idea that Russia has its own set of values. These values are democratic, but they emerge from Russia’s unique historical experience, and they are distinct from what the West understands as democracy. Thus, Russia’s democracy should not necessarily correspond to Western standards of democracy. <...> The rule of law, protection of minorities, a free press, a viable political opposition, or legally guaranteed property rights are not part of the reality of the sovereign democracy”.*

So what is the real standard of Russian democracy? The answer to this question is given by A. Ledeneva. She writes that it is the informal practices which are dominant “rules of the game” in Russia. They dominate political decision making because are able to “compensate for defects in the formal order while simultaneously undermining it”<sup>37</sup>. In other words, Russian institutional structure is based on informal institutions, which are the basis of “sovereign democracy”. Very specifically, these informal institutions practically replace formal democratic norms. V.Gelman states that the basis of Western understanding of democracy – the rule of law principle – in Russia is replaced by the “unrule of law”, which means that rule creation process is made from above and therefore corresponds to the needs of a political elite. The consequence of such top-down process is the establishment of patron-client relationship and eventual authoritarianization of the political regime. Without going into details<sup>38</sup> there are several elements of informality, which are very important in the Russian political process<sup>39</sup>:

- *Chernyi Piar* (black PR) – manipulative campaigning and the use of public relations technologies to achieve political/economical ends;

<sup>34</sup> *Ibid.*, pp.8-9.

<sup>35</sup> See: Суров, Владислав: “Национализация будущего” *кремль.орг* (20 January 2006), in <http://kreml.org/opinions/134513970>.

<sup>36</sup> Popescu, Nicu: “Russia’s Soft Power Ambitions”, *CEPS Policy Brief*, no. 115 (October 2006) in [http://shop.ceps.eu/downfree.php?item\\_id=1388](http://shop.ceps.eu/downfree.php?item_id=1388).

<sup>37</sup> Ledeneva, Alena: *Why Are Informal Practices Still Prevalent in Russia?*, in Ledeneva, Alena (2006): *How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics and Business*, Ithaca, New York, Cornell University Press, p.11.

<sup>38</sup> To have more clear picture of the creation of Russian “informal” institutional structure see: Gel’man, Vladimir: “The Unrule of Law in the Making: The Politics of Informal Institution Building in Russia”, *Europe-Asia Studies*, vol. 56, no.7 (2004), pp.1021-1040.

<sup>39</sup> See: Alena V. Ledeneva: *How Russia Really Works: The Informal Practices that Shaped Post-Soviet Politics and Business*. – Ithaca, New York, Cornell University Press, 2006, p.272.



- *Komproamat* – the use of compromising information in informal politics;
- *Krugovaia Poruka* – sustaining the ties of joint responsibility;
- *Tenevoi Barter* – shadow barter, barter chains, and non-monetary markets;
- *Dvoinaia Bukhgaleria* – double accountancy and financial scheming;
- *Post-soviet Tolkachi* – alternative enforcement and the use of law.

Other authors add to this list corruption, clientelism, dictatorship of law, “fuzzy legality”, and dominance of power relationship<sup>40</sup>. Khodorkovsky case, closing of foreign NGOs (British Council, for example), rise of *siloviki* clan, concentration of power in the hands of narrow circle of political elite, power vertical – all these are the symptoms of Russian “sovereign democracy”. Though not necessary bad in practical terms, normatively and in comparative perspective the institutional arrangement in Russia is totally different from the European (EU) one. And this difference has very clear implications for post-soviet countries in the first place. Such presumption stems from the realities of Russian foreign policy. If we take a short look at the Russian foreign policy concept (adopted on year 2000 and later in 2008<sup>41</sup>) we can notice that a “development of bilateral and multilateral cooperation with the CIS Member States constitutes a priority area of Russia's foreign policy”<sup>42</sup>. This kind of statements can be interpreted in different ways, but the recent history of Russian policy towards its “near abroad” exemplifies the importance of this region not only to Moscow’s strategic interests but even to its general identity.

According to the experts of European Council of Foreign Relations (ECFR), “contrary to what many in Europe think, Russia’s neighborhood policy is better developed, better coordinated and better implemented than the EU’s. Russia devotes more political, economic and even military resources to influencing its neighborhood than the EU does”<sup>43</sup>. Taking into consideration such assumptions, the problem of competition between Europe and Russia in common neighborhood<sup>44</sup> becomes very urgent. In other words, both Moscow and Brussels are trying to spread their influence (i.e. rules of the game) here. Who is the winner in this institutional competition? The answer can be given by measuring the linkage both external players have in the region. But before doing that one more very important assumption have to be done. We cannot totally ignore internal systems of Georgia and Ukraine. Though both countries are very “young” in terms of independence and sovereign statehood, they nevertheless developed respective institutional structures and “rules of the game” which regulate their political and socio-economic life.

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<sup>40</sup> See Stefes, Christoph H. (2006): *Understanding Post-Soviet Transitions: Corruption, Collusion and Clientelism*, Basingstoke; New York, Palgrave Macmillan, 211 pp.  
Gel’man, op. cit.

<sup>41</sup> The Foreign Policy Concept of the Russian Federation, adopted on July 12, 2008. Available at: <http://www.kremlin.ru/eng/text/docs/2008/07/204750.shtml> .

<sup>42</sup> *Ibid.*, paragraph IV: Regional priorities

<sup>43</sup> Leonard, Mark; Popescu Nicu (November 2007): *A Power Audit of EU-Russia Relations*, European Council on Foreign Relations (ECFR) in [http://www.ecfr.eu/content/entry/eu\\_russia\\_relations/](http://www.ecfr.eu/content/entry/eu_russia_relations/) .

<sup>44</sup> It is worth mentioning that Russia does not treat western CIS countries as “common neighborhood”. Moscow sees them as the sphere of its own “privileged interests”.



## 4. What Kind of Democracy in Post-Soviet Space

In his paper, written back in 2002, Lucan Way examined the development of a number of post-Soviet republics and concluded that the “persistence of political liberalization in personalistic or weak states is often a product of failed efforts to control the political environment in the context of international liberal hegemony rather than successful attempts to build democratic institutions”<sup>45</sup>. Though after the collapse of the Soviet Union new independent countries emerged, which haven’t had any traditions of democratic rule, the consolidation of authoritarian regimes was rather unlikely to succeed in at least some of them. The reason for this was not a robust civil society, strong democratic traditions and institutions, or the democratic commitments of post-Soviet leaders. Rather, it was “the inability of incumbents to maintain power or concentrate political control by preserving elite unity, controlling elections and media and/or using force against opponents”<sup>46</sup>. In other words, it was the peculiarities of post-soviet states’ institutional arrangement – L.Way calls them “pluralism by default” – which did not allow the creation of totally autocratic regimes but at the same time prevented the creation of democratic structures as well. Let’s take a look what do analysts say about Georgian and Ukrainian institutional structures.

### 4.1. Georgian Situation

According to J.Wheatley, “the Georgian regime, at least during Shevardnadze’s presidency, can best be characterized <...> as a *contested oligarchy*, a particular type of semi-democratic regime in which there is a ruling elite (or oligarchy) that holds power and does all it can to retain it, but at the same time observes some minimal democratic procedures”<sup>47</sup>. This kind of description of Georgian system confirms the assumption that up till the “Rose revolution” Georgia’s political processes has been conducted under the same rules of the game, which were dominant in many post-soviet countries, including Russia. If we compare the rules of the game, which existed in Georgia prior to the “Rose revolution”, with those, identified by A.Ledeneva in Russia, we can find very many similarities. J.Wheatley states that<sup>48</sup>:

- Hierarchical relationships within the various factions of the political elite were based on personal obligations and above all on control by *kompromat*;
- Decision making during the Shevardnadze period was almost entirely arbitrary with back-room deals frequently taking precedence over accepted procedure;
- The main power of the state over society was negative and prohibitive to the extent that state structures made it virtually impossible for ordinary citizens to become economic actors independent of state patronage;
- Courts still failed to provide justice for all and powerful member of political and economic elite could still influence court decisions in their favor.

In the neo-institutional perspective this situation points to the “path dependency” process inherent to transformations in post-soviet space. This idea of incremental rather than

<sup>45</sup> Way, Lucan (2002): “Pluralism by Default and the Sources of Political Liberalization in Weak States”, p.24, in <http://www.yale.edu/leitner/pdf/PEW-Way.pdf>.

<sup>46</sup> *Ibid.*, p.2.

<sup>47</sup> Wheatley, Johnatan (2005): *Georgia from National Awakening to Rose Revolution: Delayed Transition in the Former Soviet Union*, Aldershot, Hampshire ; Burlington, VT, USA, Ashgate Publishing Company, p. 218.

<sup>48</sup> *Ibid.*, pp.217-218.



radical institutional change is supported by the situation in Georgia after the “Rose revolution”. Corroborative to statistical data on democracy status, some scholars also point out the deficiency of democracy under the Saakashvili rule. Writing in 2008, J.Wheatley admits that “the rose revolution does not, therefore, represent a break from the Soviet style of politics in which arbitrary decisions by power holders prevail over negotiated procedures and the rule of law”<sup>49</sup>. P.Jawad agrees with this opinion in her report: “the *Rose Revolution* does not represent a “decisive twist” in Georgia’s process of democratic consolidation that started with the introduction of the formal requisites of democratic statehood in the 1995 Constitution”<sup>50</sup>. In other words, the conclusion comes up that the “window of opportunity” opened by the “Rose revolution” hasn’t been used.

#### **4.2. Situation in Ukraine**

In the same manner as J.Wheatley does, Paul J. D’Anieri<sup>51</sup> analyses Ukrainian institutional structure in Ukraine: both prior and post “Orange revolution”. Based on the results of a detailed analysis of all post-soviet space D’Anieri finds that L.Kuchma’s (i.e. until the Orange revolution) Ukraine fits within the institutional model of “electoral authoritarianism”, which main features are<sup>52</sup>:

- Selective law enforcement;
- Selective administration of regulations;
- Control over the media;
- Control over the election process;
- Control over patronage;
- Control over economy. In Ukrainian case, these tactics arise within a particular political and institutional context, which includes:
  - A constitution giving extensive legislative power to the executive;
  - A weak and fragmented parliament;
  - A weak judicial branch (or rather the absence of a judicial branch distinct from the executive branch)

What is interesting is the statement by the author that “for the former Soviet Union, Russia has in fact been a model for other regimes, with tactics adopted first in Russia, and then in places such as Ukraine”<sup>53</sup>. In fact, it is the argument in favor of the hypothesis that institutional structure of post-soviet republic has been shaped (at least to some extent) by Russian example.

<sup>49</sup> Wheatley, Jonathan: “Georgia’s democratic stalemate”, *OpenDemocracy*, 14 April 2008, in [http://www.opendemocracy.net/article/democracy\\_power/caucasus\\_fractures/georgia\\_democratic\\_stalemate](http://www.opendemocracy.net/article/democracy_power/caucasus_fractures/georgia_democratic_stalemate).

<sup>50</sup> Jawad, Pamela: “Democratic Consolidation in Georgia after the “Rose Revolution?”, *Report No. 73*, Peace Research Institute Frankfurt (PRIF) (2005) in <http://www.hsfk.de/downloads/prif73.pdf>.

<sup>51</sup> D’Anieri, Paul J. (2007): *Understanding Ukrainian Politics: Power, Politics and Institutional design*. Armonk, New York, M.E.Sharpe Press, p. 300.

<sup>52</sup> *Ibid.*, p.216.

<sup>53</sup> *Ibid.*, p.220.



M.Ryabchuk, writing on Ukraine's political situation in September 2008, states that "most observers agree that post-"Orange" Ukraine of Viktor Yushchenko in 2005-2007 largely resembles the post-Soviet Ukraine of Leonid Kravchuk in 1992-1994. Both regimes demonstrate the political syndrome described by Thomas Carothers as "feckless pluralism" – phenomenon that became prominent in Latin America and a number of Asian countries long before the fall of the USSR"<sup>54</sup>. D'Anieri also does not overestimate the impact of Orange revolution on Ukraine's internal institutional structure. He states that "Ukraine's domestic politics (and economy) must be further transformed. Throughout the past decade, the Western powers have made it clear that Ukraine's integration with the West depends not simply on its foreign policy orientation, but on its domestic political and economic order. By all accounts, its domestic order is still on shaky ground. <...> The danger in the short term is not authoritarianism but stalemate. It was stalemate in the early 1990's that created the predisposition toward hyper-presidentialism in the late 1990s"<sup>55</sup>. Recent events in Ukraine – parliamentary crisis, expectation for the second in a row extraordinary parliamentary elections and internal stalemate in the face of economic crisis – strongly confirms that problems, raised by unfinished institutional transformation, hasn't been solved yet.

#### **4.3. Post-Soviet "Path Dependency" – Power Politics Trump Democracy**

Overall, several generalization can be drawn, which are based on the analysis of the situation in both Georgia and Ukraine. First, neither of revolutions – Orange or Rose – haven't been real revolutions because they brought only a change of leaders but not institutions. Second, despite the fact that some formal changes have occurred (for example in Ukraine, constitution was changed), informal rules of the game remain dominant in handling political process. As D'Anieri shows in Ukrainian case, "power politics" will continue to trump [formal] institutional design in many cases"<sup>56</sup>. This idea is echoed by J.Wheatley in Georgian case – "it is still too early to tell whether the old rules of the game will still determine the behavior of the new leadership. However, early evidence suggests that more far-reaching structural and institutional reform is needed if the old bureaucratic norms are to be extirpated from the body politics"<sup>57</sup>. Third, the dominance of informal rules of the game is clearly evident. Political actors in both countries exploit formal regulations (laws, decrees etc.) to create the favorable balance of power. Very recent examples of the actions by V.Yuschenko when he abolished Kiev court, which had earlier suspended Ukraine president's decree dissolving the parliament and calling early parliamentary elections, is illustrative of the situation in which Ukraine is today. The goal of any political leader is to stay in power. And it does not matter whether formal rules of the game allow it or not. There is informal logic of the action which is usually followed. This informal logic is the most important.

Finally, such dominance of informality is a reflection of path dependency processes in post-soviet countries. The importance of a bigger power in comparison to other internal actors has usually been associated with the ability to promote favorable decisions during soviet rule. The lack of power could be compensated only by bribery, blat and other informal principles. The picture hasn't change a lot today. Power, not public interest, is the main goal of political leaders in many post-soviet countries. Equally, democracy ideals and institutions are

<sup>54</sup> Ryabchuk, Mykola: "Pluralism by Default: Ukraine and the law of communicating vessels", *Eurozine articles*, 17 September 2008, in <http://www.eurozine.com/articles/2008-09-17-riabchuk-en.html> .

<sup>55</sup> Paul J. D'Anieri: "What has Changed in Ukrainian Politics? Assessing the Implications of the Orange Revolution", *Problems of Post-Communism*, vol. 52, no. 5 (Sep.-Oct. 2005), pp. 90-91.

<sup>56</sup> D'Anieri, *Understanding Ukrainian Politics...*, *op.cit.*, p. 214.

<sup>57</sup> Wheatley, *Georgia from National Awakening to Rose Revolution...*, *op.cit.*, p.226.



subordinated to the power politics. Such mentality, which is “the legacy of the past” for sure, still hasn’t been changed.

Looking from a theoretical point of view, preconditions to change this legacy were favorable for both Yushchenko and Saakashvili. Orange and Rose revolutions for sure were “triggers”, which opened “windows of opportunity” for the change. It means the first requirement for the institutional transformation has been met. The actions and interests of new presidents in Georgia and Ukraine, which is the second precondition for successful institutional transformation, were also directed towards “democracy building”, at least in the official rhetoric. Finally, presidential institution represents the highest official post in both post-soviet countries. Therefore, Yushchenko and Saakashvili were in very favorable [institutional] position to start implementing changes. Abundance of Western advisers and supporters also provided the required capacities to start working. And even first steps were made successfully – Ukraine has changed constitution and replaced purely presidential system into the more parliamentary one. In Georgia the large scale campaign against corruption has been started. But today the picture is not so bright. The question is why?

## **5. Empire Strikes Back**

The hypothesis tested in this article suggests that the reason for transformational stagnation in Georgia and Ukraine is the intersecting institutional influence of the two most important external actors (EU and Russia). This influence intersects in a “reverse interaction“, which in practice blocks any attempt to democratise. It has been shown already that Russian, Ukrainian and Georgian institutional structures prior to colour revolutions represented generally the same “rules of the game”. These rules of the game are based on “the logic of informality”, which is totally opposite to the practices of the European Union. Moreover, the institutional structure, existing in Georgia and Ukraine is “path-dependent”, i.e. has deep roots in the mentality of Georgian and Ukrainian society and the minds of political elites. It means that to sustain it (existing institutional structure) is much easier for Russia than for the West to change it. Therefore, theoretically even weaker Russian linkage can emerge as a more powerful in comparison to the Western one. Let’s take a look what is the balance of Russian and Western linkage in both Georgia and Ukraine.

### **5.1. Linkage Compared**

**Intergovernmental linkage.** Perhaps the main indicator of intersecting influence of Russian and European institutional structures is the participation of Ukraine and Georgia in the rival regional [political and economic] organizations (see Annex 4).

Participation in regional organizations shows clear “undecidedness” first of all of Ukraine and also of Georgia regarding the geo-political and geo-economic orientation. No doubt, parallel participation in Russia dominated and pro-Western regional cooperation arrangements is harmful practice. It should be kept in mind that closer economic cooperation (i.e. customs union or free trade area) with Russia and all post-soviet space in fact diminishes or even eliminates the possibility to participate in the same kind of cooperation with the EU. Rules and principles, on which such cooperation is based, differ in Russian-led and European organizations. The attempt to sit on two chairs at one time does not bring any benefits. Rather in opposite – internal disagreements as well as the inability to meet the requirements of two different institutional structures becomes the permanent problem, which does not allow to



make real progress in any direction. Furthermore, requirements to participate in close cooperation with western institutional and organizational structures are much higher than in the case of Russia. It means that post-soviet states need less efforts for cooperation with Russia (“path dependency” and historical legacy) and have to do harder work in case of western organizations (i.e. the costs of compliance with western-democratic-liberal requirements are much higher). Therefore, Russia has comparative advantage in this respect and uses it very professionally.

**Economic linkage.** It is impossible to overlook the fact that intergovernmental linkage is strengthened by Moscow using the economic ones. External trade structure and economic relations in both Ukraine and Georgia are very interrelated with Russia due to common soviet history. Even though the trade balance is almost equally distributed between Russia and the EU, strategic relationship (especially in the energy sphere) is clearly more beneficial for Russia. According to some experts, “the structure of Ukraine-Russia trade balance is unfavourable to Ukraine. The state’s commodity imports from Russia are strategic goods (energy resources) and at the same time Russia is an important receiver for some industries in Ukraine. The problem is virtually non-existent in Russia as the state could sell fuel to other receivers and use the income thus generated to buy the required commodities from other suppliers”<sup>58</sup>. Though statistics show the parity in Ukrainian external trade turnover between EU and Russia (see Annex 5), there are some aspects, which should be mentioned separately. The most important is a fact that measured in terms of bilateral economic relations Russia has by far the biggest share. It is applicable both to Ukraine and Georgia. General numbers of trade with the EU seems much bigger at a first glance, but it should be kept in mind that trade turnover with EU is divided between 27 Member states. It means that bilaterally Russia has much bigger influence on Ukrainian and Georgian economy than any EU country.

However, trade dependency is not the most important economic linkage, used by Russia to disseminate its preferred rules of the game to Ukraine and Georgia. According to the World Bank, in 2008 Russia became the biggest migrant-receiving country in the world<sup>59</sup>. Data shows that Russia is also the first destination country for migrants from Ukraine and Georgia. Estimations of year 2005 show that remittances comprise about 6.3% of annual GDP in Georgia. These numbers are much smaller in the case of Ukraine (0.8% of GDP). Though does not seem very impressive, these numbers have very important social and psychological impact on Georgian and Ukrainian population. On the one hand, many Georgian and Ukrainian families are dependent economically on the remittances from Russia. Such situation creates unconscious psychological and even physical links, which later may translate into political support for Russia, as the country on which one’s well-being is dependent. On the other hand, seen from the institutionalist and “rules of the game” perspective, remittances become not only economic, but important social factor as well. Image of Russia as the country in which it is possible to earn much more money than in your own country significantly increases Russia’s “soft power”, i.e. the attractiveness of its “rules of the game”, which allow to earn more and live better. European Union, which has very strict formal requirements for workers from non-Schengen zone (visa regime is also important), is not so attractive and accessible for workers from former USSR. Linguistic, cultural and other differences also diminish attractiveness of the EU in comparison with Russia. It is very simplified picture of

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<sup>58</sup> Szeptycki, Andrzej: “Trade Relations between the Russian Federation and Ukraine”, *PISM Research Papers*, no.8, The Polish Institute of International Affairs, (January 2008), p. 32, in <http://se2.isn.ch/serviceengine/FileContent?serviceID=10&fileid=7D97C657-2F3A-C615-28C2-083334E55F31&lng=en>.

<sup>59</sup> World Bank: “Migration and Remittances Fact book 2008”.





the Russian influence, but it is very important in understanding the ways, how Russia becomes influential for internal processes in post-soviet space.

One more economic factor, which has impact on post-soviet countries' gravitation towards Russian supported institutional arrangements, is foreign direct investment (FDI). Analysis of the structure and principles of Russian FDI suggests several implications for receiving country's internal institutional structure. According to P.Zashev, Russian FDI promotes not only economic interests but also has an institutional "spill-over effect". The most worrying features of expected spill-over of Russian business culture could be listed as<sup>60</sup>:

- transmitting dubious quality of corporate management and organization;
- underestimation of such concepts as efficiency and productivity and their direct link with personnel training and continuous learning;
- the understanding that bribing is a normal way to "speed up" or "smoothen" interaction with authorities at various levels;
- the unbroken link/dependence of Russian companies on the Russian state and resulting from it political versus economic motivation when making corporate decisions.

P. Zashev concludes his analysis by stating that there is a relationship between the investment [from Russia] and "soft" values such as business culture<sup>61</sup>. P.Zashev also warns that "Russian investments certainly have some side effects that are not limited to the direct object of the investment and may have a much bigger spill-over effects that can eventually be somewhat negative and thus outweigh the financial attractiveness of the investment itself"<sup>62</sup>. In other words, peculiarities of Russian institutional structure, in which economics is closely interrelated with politics<sup>63</sup>, has a direct impact on Russian business behavior abroad. Since the "sovereign democracy" regime presupposes clear subordination of economics to the achievement of political ends, Russian FDI is inevitably an instrument in Kremlin's hands to promote favorable mentality in targeted countries. Although statistically Russia is not the biggest foreign investor in Ukraine and Georgia (see Annex 6), it should be kept in mind that huge amount of Russian investment comes not directly from Russia, but from offshore countries, such as Cyprus or British Virgin Islands<sup>64</sup>. In addition, Russian investment usually targets strategically important sectors (energy first of all). All this means that institutions are exported to post-soviet countries not directly, but in the form of investment, remittances or trade relations. Of course, European Union also exports its preferred type of institutions. The problem is that EU makes it very officially and according to strict procedures: EU's institutional export is targeting mainly official rules of the game (laws etc.). Russia does not care a lot about legality or formality of its influence. By doing it indirectly, Russia finds itself in much more comfortable position than the EU does. Above all, as it was mentioned earlier,

<sup>60</sup> Zashev, Peter (2007): "Cultural spillovers of Russian outward FDI", in Kaartemo, Valtteri (ed.): *New role of Russian enterprises in international business*, Electronic Publications of Pan-European Institute, no 18, p.159, in [http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Kaartemo\\_182007.pdf](http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Kaartemo_182007.pdf).

<sup>61</sup> *Ibid.*, p.165.

<sup>62</sup> *Ibid.*, pp.165-166.

<sup>63</sup> See: Oleinik, Anton: "Transfer of Institutions: Actors and Constraints – The Russian Case in a Global Context", HWWA (Hamburgisches Welt-Wirtschafts-Archiv) *Discussion Paper*, (May 2005), in [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=740264](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=740264).

<sup>64</sup> Vahtra, Peeter (2006) : *Expansion or Exodus? –Trends and Developments in Foreign Investments of Russia's Largest Industrial Enterprises*, Electronic Publications of Pan-European Institute, no. 1, in [http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Vahtra\\_12006.pdf](http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Vahtra_12006.pdf).



Russia's task is to support already existing "rules of the game" which are common to many Ukrainians and Georgians. And this task is much easier implemented than European one – to change not only formal institutions, but the informal ones as well. As we know from neo-institutional theory, informal institutions are much more difficult to transform<sup>65</sup>.

**Social and information linkage.** Examples of migration and remittances have already been presented as supporting economic interdependence between post-soviet countries and Russia. These examples are also illustrative of social relations between people in Russia and former communist republics. World Bank's fact book on migration and remittances mentions that Russia is the most important destination country for immigrants from Ukraine and Georgia. In 2005, number of emigrants from Georgia comprised about 23% of total population and about 13% of Ukrainian population. In absolute numbers it is more than 2 million people from Ukraine in 2006<sup>66</sup>.

Informational situation in post-soviet countries also contributes to their gravitation towards Russia. It is very evident in the case of Ukraine. The analysis of the coverage of recent Russian-Georgian military conflict in Georgia in Ukrainian internet websites has shown that more than half of sources cited were Russian<sup>67</sup>. The situation was very similar with very few non-Russian sources in Ukraine television news. "Covering Georgia, Ukraine's TV channels generally lacked background knowledge and balance. Meanwhile, virtually all significant Russian sources of information were used as military propaganda tools and took part in the informational campaign on behalf of the Russian authorities, either consciously or unwittingly. Ukraine, whose media landscape is dominated by the Russian mass media, has become part of that battlefield"<sup>68</sup>. Media experts claim that the continuing strong influence on the Ukrainian media can be explained by continuing reliance on Russian media sources. V.Syumar, director of Kiev's Mass Media Institute, says that "it is a problem of poor education because it is necessary to have good knowledge of a foreign language to understand international media sources. Russian-language materials are the major traditional source for Ukrainian journalists, who use them enthusiastically and consistently. This is the famous disease of Ukrainian journalism"<sup>69</sup>. Such culturally and linguistically grounded interdependence allows some experts to conclude that the dominance of Russian channels in today's Ukraine is an often overlooked factor but one which has a significant impact on shaping the attitudes and perspectives adopted by society at large. Faced with competition from a somewhat parochial domestic industry riddled with petty corruption and hamstrung by the whole language debate, the Russian media has managed to weather the post-Soviet storm in Ukraine far more successfully than other branches of the old empire, and looks set to play a significant role in the country's life for many years to come. Ms. Syumar argues that even today the extent of Russia's virtual media empire in the country is so great that there are many regions where Ukrainian media outlets and TV channels cannot make an impact at all<sup>70</sup>.

<sup>65</sup> Roland, Gerard, "Understanding Institutional Change: Fast-moving and Slow-moving Institutions", *Studies in Comparative International Development*, vol. 38, no. 4, (Winter 2004), pp. 109-131.

<sup>66</sup> Якуба, Александр "Мигранты кормят СНГ", *Rosbalt*, 05 March 2007, in <http://www.rosbalt.ru/2007/05/03/295217.html>.

<sup>67</sup> Bryndza, Victoria and Bezverkha, Anastasia "Russia won informational war in Ukraine", *Georgian Press Center*, 13 August 2008, in <http://georgia2008.net/en/2008/08/13/аналітикаросія-виграла-інформаційн/>.

<sup>68</sup> *Ibid.*

<sup>69</sup> Cited from: Bondarchuk, Oksana: "Virtual Empire", *Business Ukraine*, 08 September 2008, <http://www.businessukraine.com.ua/virtual-empire>.

<sup>70</sup> *Ibid.*



It should be stressed however, that situation in Georgia is a little bit different from Ukrainian one. Russian informational influence is weaker here because of two main reasons. Ethnically and linguistically Georgian language is different from Russian. On the other hand, M.Saakashvili's regime has undertaken important measures to restrict Russian informational influence in Georgia. Therefore, in the informational sphere Georgia's linkage with Russia is much weaker than in the case of Ukraine.

## 5.2. When Power Politics step in?

Having in mind the statistics above there is one more interesting aspect of Russian influence in post-soviet space. As we have seen, economically, culturally and in the information sphere Georgia is less dependent on Russia than Ukraine. Actually, the theoretical framework used in this article allows to make the assumption that namely the weakness of Russian institutional measures towards Georgia can serve as one of the explanations of the decision to start military intervention in South Ossetia in August 2008. Combined with Russia's vision of post-soviet space as its own "sphere of privileged interests" and in the context of growing Tbilisi's gravitation towards the West, the war over South Ossetia can be seen as the reflection of Russia's general strategy. This strategy has some hierarchical structure of measures to be applied in post-soviet space. Since Russia's contemporary identity is based on the notion of the one of the centres of the international politics in multi-polar world, the spread of its distinctive political, economic, and cultural way of life is seen as natural and organic way to sustain its traditional sphere of influence. In other words, Russia is a "soft power", which is attractive to historically related countries and nations. However, the "power thinking" is still dominant in Moscow's foreign policy behaviour, especially after several years of economic growth. This leads to the conclusion that on the one hand Russia is following the example of biggest Western powers and seeks the achievement of its goals by the institutional measures (exploits its "soft power"). However, on the other hand there are limitations to Russia's "softness" – as soon as Russia perceives its interests as being threatened, it applies all other means, including military, to sustain its privileged position. Events in South Ossetia can serve as a good example of such strategy. Rephrasing A.Tsygankov's idea, this strategy can be named as "first by banks, but if that does not work, then by tanks"<sup>71</sup>.

## 6. Conclusions

In the context of this paper, "by banks" element of Russian strategy is the most important for many post-soviet republics, because it clearly shows that all countries in-between Russia and the West face double external influence. The worst thing in terms of democratisation is that Russian leverage and linkage has a bigger impact. Though European Union is stronger in terms of economic power, Russian advantage is the "path dependency" of many post-soviet republics. At the same time, Russia's ability to constrain and to hinder internal democratization in Ukraine and Georgia stems from its inventive use of old relationships between both countries and Russia. Economic linkage, measured in terms of bilateral trade, direct foreign investment and remittances is one of the measures, which Russia successfully employs. However, cultural and ethnical affinity is of no less importance in this respect, because provides Moscow with the opportunity to influence Ukrainian and Georgia society using informal instruments. Since most of these informal instruments are habitual to post-

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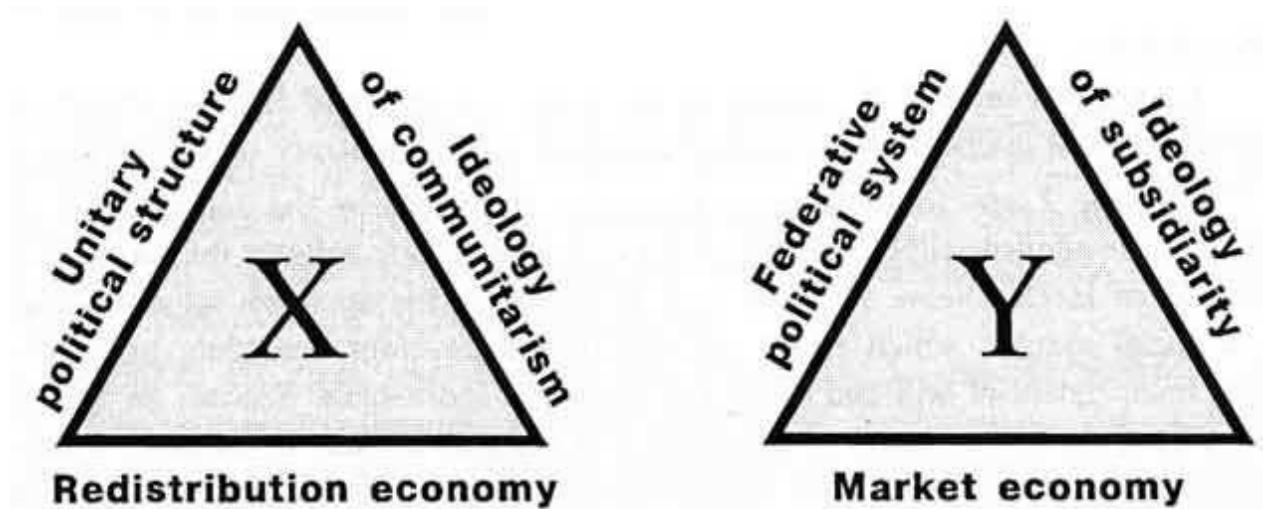
<sup>71</sup> Tsygankov, Andrei: "If Not by Tanks, then by Banks? The Role of Soft Power in Putin's Foreign Policy". *Europe-Asia Studies*, vol. 58, no. 7, (November 2006), pp. 1079-1099.



soviet societies, Russia has upper hand in comparison to Western players, which often overestimate the importance of formal rules of the game and does not pay sufficient attention to the sphere of informality. Therefore, the Orange and Rose revolutions, which were real “windows of opportunity” to change inherited institutional structures of both Ukraine and Georgia, haven’t been used by pro-democratic forces. The West can be blamed on this failure as well. Wrong strategy towards Ukraine and Georgia has been chosen. Stress on the change of formal rules and inadequate attention to informal and cultural sectors has been the main miscalculation. Reliance exceptionally on the political leaders (V.Yuschenko and M.Saakashvili) and their sometimes unconditional support in practice did not allow strengthening democratic institutions. Such approach reinforced pro-Russian rather than pro-western “rules of the game”, because in fact contributed to internal “struggle for power” with a use of customary instruments. Since many of these instruments (corruption, patrimonialism, selective rule of law, etc.) were also strongly supported by Russia with informal measures, power politics finally trumped democratic rules of the game. Recent events in Ukraine (parliamentary stalemate, uncompromising competition between president and prime-minister) are the reflection and evidence of the dominance of pro-Russian institutions (X-matrix, or “holistic” institutional structure).

Georgian case is illustrative in a little bit different context. Recent use of military power both by Georgia and Russia in fact demonstrated that both countries are still far away from the ideal of “democratic peace”. On the one hand, Tbilisi failed to stay loyal to the principle of peaceful problem solving and thus demonstrated its “power politic” nature. On the other hand, Moscow has clearly showed that it would use all available means to retain territories and influence. If “soft” measures fail, hard instruments of military power would be employed. Though intersection of strategic interests of Russia and the West in post-soviet space is a little bit different question, this paper has shown that the intersection of institutional structures, namely formal pressure from the European Union and informal impact from Russia, is very significant and painful factor, hindering democratization processes in Ukraine and Georgia. In this respect, euphoria of the coloured revolutions hasn’t been sufficient to build genuine “western-style” democracy. By the means of non-traditional and informal influence Russia has managed to form new political regimes in Georgia and Ukraine after its own “sovereign democracy” model. EU’s insufficient attention to societal transformation and especially towards changing of customary traditions of social, political and economic behaviour can be named as one of the most important factors, contributing to internal stagnation of transformational processes in Ukraine and Georgia.

## Annex 1: X-matrix and Y-matrix



Source: Svetlana Kirdina „Institutional Matrices and Development in Russia“. – Available at: <http://www.hicsocial.org/Social2003Proceedings/Svetlana%20Kirdina.pdf>.

## Annex 2: Western leverage and linkage

**Western leverage** – government’s vulnerability to external pressure. Three factors:

- 1) Size and strength of countries’ state and economies;
- 2) Competing Western foreign policy objectives;
- 3) Existence or non-existence of countervailing powers – alternative sources of economic, military, and/or diplomatic support, thereby mitigating the impact of Western pressure.

**Linkage to the West** – density of a country’s economic, political, organizational, social and communication ties to the West. It is multidimensional concept that encompasses the myriad networks of interdependence that connect individual polities, economies, and societies to Western democratic communities. Six main dimensions:

- **Economic** – flows of trade, investment and credit.
- **Intergovernmental** – bilateral diplomatic and military ties and participation in Western-led alliances, treaties, and international organizations.
- **Social** – flows of people across borders, including immigration, exile and refugee flows, diaspora communities, and tourism.
- **Information** – flows of information across borders, via telecommunications, internet connections, and Western media penetration.
- **Civil society** – local ties to Western-based NGOs, international religious and party organizations, and other transnational networks.
- **Geographic proximity** to Western Europe or the United States.



Source: Lucan A. Way and Steven Levitsky “Linkage, Leverage, and the Post-Communist Divide” // *East European Politics and Societies*, 2007, vol. 21, no.1, p. 48-66.

### Annex 3: Democracy Matrix

Dimension	LIBERTY	EQUALITY	CONTROL
Institution			
<b>Procedures of decision</b>	Free elections and referenda	Equal chances of participation	Control exercised by election review board
<b>Intermediate mediation</b>	Freedom of organization	Equal rights of organization	Control by parties and civil society
<b>Public communication</b>	Freedom of communication	Equal chances to participate	Control by media (independent journalism)
<b>Guarantee of rights</b>	Free access to court	Equal treatment in courts	Effective court order
<b>Rules settlement and implementation</b>	Effective government	Equal treatment in Parliament and administration	Separation of powers (executive, legislative and judicial)

Source: Hans-Joachim Lauth “Informal Institutions and Political Transformation: Theoretical and Methodological Reflections”. - Paper for presentation at the ECPR Joint Sessions of Workshops – Uppsala 2004, April 14.-17. – Available at: <http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/uppsala/ws18/Lauth.pdf>.

### Annex 4: Participation in post-soviet regional organizations

GEORGIA		UKRAINE	
Pro-Russian	Pro-Western	Pro-Russian	Pro-Western
CIS (Commonwealth of Independent States) <sup>72</sup>	GUAM	CIS (Commonwealth of Independent States)	GUAM
	CDC (Community of Democratic Choice)	EURASEC (Eurasian Economic Community) <sup>73</sup>	CDC (Community of Democratic Choice)
	European Neighbourhood Policy (ENP)	Single Economic Space (SES)	European Neighbourhood Policy (ENP)
	EU “Eastern Partnership”		EU “Eastern Partnership”

Source: Compilation by author

<sup>72</sup> M.Saakashvili declared that Georgia is leaving CIS after the five-days war in South Ossetia in the beginning of August, 2008. Such decision will come into force one year after the announcement of withdrawal.

<sup>73</sup> Ukraine and Moldova have observer status in the community, however Ukraine has declared its desire not to become a full member state



## Annex 5: External trade of Ukraine and Georgia

### Ukraine's trade with Russia<sup>74</sup>:

	Russia		EU	
	Exports (1000 USD)	Imports (1000 USD)	Exports (1000 USD)	Imports (1000 USD)
<b>2003</b>	4311395,47	<b>8645741,17</b>	4561171	5800698.13
<b>2004</b>	5888676,37	<b>11811780,86</b>	10843016.95	9549437.38
<b>2005</b>	7495821,72	<b>12843419,16</b>	8992933.83	11882188.89
<b>2006</b>	8650699,8	<b>13787221,5</b>	10696633.1	15669361.2
<b>2007</b>	12668323,9	<b>16837595,5</b>	13860744	22477053.3
<b>2008</b>	11198211,3	<b>14412694,3</b>	11539305.9	19823300.8

### Ukraine's main trade partners in 2005<sup>75</sup>:

COUNTRY	Trade turnover (USD, bln.)	Percentage
Total Turnover	70.4	100
Trade by countries:		
Russian Federation	20.2	28.8
Germany	4.7	6.7
Italy	2.9	4.1
Turkmenistan	2.9	4.1
Turkey	2.6	3.7
Poland	2.4	3.4
Belarus	1.8	2.6
USA	1.7	2.4

### Georgia's trade in 2008<sup>76</sup>:

Georgian Imports by Countries in March-June 2008 (Thsd. USD)	March	April	May	June
	<b>EU countries</b>	<b>146.748,5</b>	<b>166.974,4</b>	<b>181.629,4</b>
<b>CIS countries</b>	<b>178.636,0</b>	<b>194.771,9</b>	<b>179.120,1</b>	<b>187.730,3</b>
<b>Russian Federation</b>	<b>48.038,1</b>	<b>43.205,2</b>	<b>34.206,5</b>	<b>37.781,6</b>
<b>Other countries</b>	<b>202.608,1</b>	<b>217.812,0</b>	<b>250.898,8</b>	<b>226.785,5</b>
<b>Georgian Exports by Countries in March-June 2008</b>				

<sup>74</sup> Государственный комитет статистики Украины. - <http://www.ukrstat.gov.ua/> .

<sup>75</sup> Государственный комитет статистики Украины. - <http://www.ukrstat.gov.ua/>

<sup>76</sup> Georgian State Statistics Committee. – [www.statistics.ge](http://www.statistics.ge)



(Thsd. USD)				
<b>EU countries</b>	<b>30.138,70</b>	<b>25.432,40</b>	<b>25.874,40</b>	<b>40.741,50</b>
<b>CIS countries</b>	<b>38.416,60</b>	<b>51.091,80</b>	<b>54.850,10</b>	<b>60.035,20</b>
<b>Russian Federation</b>	<b>1.754,20</b>	<b>4.321,20</b>	<b>6.357,90</b>	<b>2.631,60</b>
<b>Other countries</b>	<b>62.841,90</b>	<b>59.047,00</b>	<b>63.498,80</b>	<b>86.242,70</b>

<b>Georgian Imports by Countries in July-October 2008 (Thsd. USD)</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>
<b>EU countries</b>	<b>170.506,8</b>	<b>92.905,5</b>	<b>124.798,3</b>	<b>137.281,8</b>
<b>CIS countries</b>	<b>206.740,8</b>	<b>152.804,4</b>	<b>153.023,4</b>	<b>176.437,9</b>
<b>Russian Federation</b>	<b>37.569,8</b>	<b>34.139,9</b>	<b>19.669,4</b>	<b>46.745,9</b>
<b>Other countries</b>	<b>208.803,0</b>	<b>158.830,2</b>	<b>230.150,2</b>	<b>198.047,6</b>
<b>Georgian Exports by Countries in July-October 2008 (Thsd. USD)</b>				
<b>EU countries</b>	<b>35.512,40</b>	<b>22.075,30</b>	<b>34.136,50</b>	<b>29.997,60</b>
<b>CIS countries</b>	<b>43.577,80</b>	<b>54.228,40</b>	<b>45.779,40</b>	<b>51.445,90</b>
<b>Russian Federation</b>	<b>1.890,50</b>	<b>3.168,40</b>	<b>1.859,00</b>	<b>2.001,60</b>
<b>Other countries</b>	<b>81.723,80</b>	<b>36.484,10</b>	<b>91.735,40</b>	<b>29.061,00</b>

**Major trade partners of Georgia by turnover of January-July of 2006<sup>77</sup>:**

	<b>Imports (USD mln.)</b>		<b>Exports (USD mln.)</b>	
	2005 January-June	2006 January-June	2005 January-June	2006 January-June
Russia	160.4	270.2	63.1	53.9
Turkey	123.7	199.2	73.9	44.6
Germany	80.9	160.3	8.2	17.8
Azerbaijan	91.4	133.2	45.4	34.5
Ukraine	85.8	123.2	10.1	26.8
Turkmenistan	21.2	57.6	32.8	70.2
Bulgaria	25.2	59.6	19.5	31.7
USA	42.6	57.2	8.6	28.1
Armenia	19.5	19.9	14.3	35.5
Italy	24.2	38.6	8.8	13.6

<sup>77</sup> Georgia State Statistics Committee. – [www.statistics.ge](http://www.statistics.ge)





## Annex 6: FDI in Georgia and Ukraine

### FDI in Georgia by Countries (1000 USD)<sup>78</sup>

Countries	2004	2005	2006	2007	2008Q1	2008Q2
<b>Total</b>	<b>499.107</b>	<b>449.785</b>	<b>1.190.375</b>	<b>2.014.842</b>	<b>430.193</b>	<b>525.204</b>
of which:						
Austria	23.157,2	14.732,2	10.749,3	11.384,4	1.716,6	2.804,0
Azerbaijan	-	-	-	41.368,1	13,0	1.711,3
Belarus	-	-	-	52,8	318,8	271,0
Belgium	-	-	-	1.563,7	5,5	26,0
Bulgaria	-	70,8	318,9	20,6	-	3,5
Cyprus	21.333,1	47.537,3	40.071,2	148.643,6	8.259,2	1.429,9
Czech Republic	276,6	1.279,6	15.032,2	227.926,4	-72,2	-293,9
Denmark	-	319,0	42.477,8	158.126,2	128,6	107,2
Estonia	-	-	-	594,0	8,0	-12,3
France	22.854,3	14.383,3	17.221,7	43.726,0	8,9	5.753,7
Germany	5.140,5	5.031,8	20.380,8	56.987,8	12.973,8	12.775,8
Greece	2.178,3	2.217,0	2.507,4	1.349,7	-471,3	5.237,5
Hungary	-	327,0	314,8	1.010,1	113,4	561,2
Ireland	41,5	592,4	1.155,2	-1.663,2	36,3	2,3
Italy	32.453,0	22.833,5	47.219,1	15.228,1	3.984,4	106,8
Kazakhstan	-	-	152.310,5	88.486,2	26.100,5	8.764,5
Latvia	-	-	-	3.102,1	707,4	-1,2
Lithuania	-	-	3.434,2	327,3	-140,8	-
Luxembourg	276,6	553,1	261,1	9.245,7	-	4.468,3
Netherlands	-	492,0	18.530,2	299.277,2	50.176,3	135.078,5
Poland	-	293,8	502,2	19,1	1,6	10,0
Portugal	-	-	-	13,2	-	-1,8
Romania	-	-	-	-	-	5.820,2
Russia	43.796,1	38.737,6	34.210,0	88.996,5	34.029,6	-14.225,0
Spain	-	-	-	3.590,2	4.676,0	798,8
Sweden	-	160,4	189,5	6.779,1	2.014,9	-631,1
Ukraine	1.280,0	1.700,9	1.055,8	24.380,8	684,1	-2.261,3
United Kingdom	87.831,2	132.925,8	186.824,1	145.474,8	26.164,5	45.769,2
USA	81.164,2	15.025,6	182.651,5	84.412,2	38.381,6	37.855,5
Virgin Islands, British	6.893,6	4.900,2	58.586,2	187.815,5	6.320,1	14.431,5
International organizations	-	-	8.741,7	14.293,9	12.019,9	15.517,8

<sup>78</sup> Georgia State Statistics Committee. – [www.statistics.ge](http://www.statistics.ge)

**FDI in Ukraine<sup>79</sup>**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Germany	361.4 (6.6%)	480.5 (7.2%)	4654.3 (32.6%)	4267 (26.5%)
Cyprus	721.8 (13.3%)	809.6 (12.2%)	1383.4 (9.7%)	2286.8 (14.2%)
Austria	202 (3.7%)	265.4 (4.0%)	1217.3(8.5%)	1215.5 (7.6%)
United Kingdom	561.1 (10.3%)	702.3 (10.6%)	993.5(7.0%)	1182.4(7.4%)
Netherlands	368.0(6.8%)	468.4(7.0%)	777.6(5.4%)	1133.6(7.0%)
United States	848.4(15.6%)	875.2(13.2%)	1173.3 (8.2%)	1076.7(6.7%)
Russia	311.0(5.7%)	529.9(8.0%)	706.9(4.9%)	744.8(4.6%)
Virgin Islands, British	294.1(5.4%)	428.0(6.4%)	622.9(4.4%)	613.7(3.8%)
Switzerland	257.4(4.7%)	325.1(4.9%)	385.9(2.7%)	383.4(2.4%)
Poland	122.2(2.2%)	143.1(2.2%)	190.7(1.3%)	277.9(1.7%)

<sup>79</sup> Wiener Institut für Internationale Wirtschaftsvergleiche. – wiiw Database on Foreign Direct Investment in Central, East and Southeast Europe, 2007.