

A Brief Retrospective Analysis Of The Georgia's Economic

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საქართველოს ეკონომიკის მოკლე რეტროსპექტიული ანალიზი

XX საუკუნის ბოლო ათწლეულში საქართველოს პოლიტიკური და ეკონომიკური ცხოვრება მნიშვნელოვანი, რადიკალური ცვლილებებით ხასიათდება. კერძოდ, ქვეყანაში ერთმანეთს დაემთხვა, ნებისმიერი საზოგადოებისთვის რთული და მნიშვნელოვანი, პოლიტიკური დამოუკიდებლობის აღდგენა-განმტკიცებისა და საბაზრო ეკონომიკური ურთიერთობების დამკვიდრების ისტორიული, შესაბამისად, მენტალური ცვლილებების პროცესები.

დამოუკიდებლობის აღდგენას საქართველო შეხვდა, როგორც საბჭოთა კავშირის მეტნაკლებად განვითარებული რესპუბლიკა, ამ სისტემისთვის დამახასიათებელი ეკონომიკური სტრუქტურებითა და ცხოვრების დონით. დამოუკიდებლობის აღდგენის პირველი წლები ქვეყნისთვის განსაკუთრებით მძიმე გამოდგა. ზბიექტურად განყვეტილი ეკონომიკური კავშირების, ძველი, ტრადიციული ბაზრებისა და მიმწოდებლების დაკარგვასთან ერთად, ქვეყანა აღმოჩნდა სამოქალაქო დაპირისპირებისა და ეტნოპოლიტიკური ომების წინაშე, რამაც ცხადია, ქვეყნის განვითარებაზე არსებითი ხასიათის, მნიშვნელოვანი, ნეგატიური ზემოქმედება მოახდინა. ქვეყანა სისტემური კრიზისის ხანგრძლივ და ქრონიკულ ფაზაში აღმოჩნდა.

მიუხედავად იმისა, რომ 2003 წლიდან საქართველოში გატარებულ ეკონომიკურ რეფორმებზე, საერთოდ ქართულ საზოგადოებაში და მათ შორის მეცნიერ-ეკონომისტებში დამოკიდებულება არაერთგვაროვანია, ჩვენი აზრით, ამ პერიოდში მოხერხდა სისტემური კრიზისის დაძლევა, შეიქმნა საფუძველი მაღალი ეკონომიკური ზრდის უზრუნველსაყოფად. მიმდინარე პერიოდმა უნდა გვიჩვენოს შედეგებს თუ არა საქართველო თავი დააღწიოს საბნოური წარსულით განპირობებულ ჩამორჩენილობას, ადეკვატურად და ეფექტიანად უპასუხოს მის წინაშე მდგარ ძირითად გამოწვევებსა და მუქარებს.

Key words: *Georgia's economic. Economic reform. Sistic economic crisis. Economic development. Economic development scenarios.*

In the last decades of the 20th century, radical changes are characteristic to the political and economic life of Georgia; namely, processes of historical and, accordingly, mental changes of restoration-strengthening of political independence and establishment of market-based economic relations which are difficult and important for any society began simultaneously in the country.

In 1990, Georgia met the restoration of independence as a more or less developed republic of the Soviet Union with economic structures and level of living characteristic to this system. The first years of restoration of independence and development of the economic system based on market principles appeared the most difficult for the country. In addition to broken economic relations, loss of the old, traditional markets and suppliers, the country appeared to face civil discord and ethno-political wars which, of course, exerted essential, significant, negative influence on the country's development. The country appeared in prolonged and chronic phase of systemic crisis.

The administration of President Zviad Gamsakhurdia who came to power through the elections in 1990 carried out fundamental changes in the country's economic development and announced the restoration of independence by the referendum. Besides, the directions of economic reforms were elaborated which recognized the reasonability of application of the theory of convergence in social-economic development [11, p. 10], though as the result of the discord and violent change of the government, accordingly, the attempt to carry out the above mentioned failed. The created extreme situation, of course, exerted a negative effect on the country's economic development, deteriorated the problems of the state which was on the way of formation and resulted in the extremely negative indicators; in particular, in 1990-93, the gross domestic product was decreasing by 28% annually and, considering the parity of purchasing power, fell from 4,433 US dollars per capita in 1990 to 1,437 US dollars per capita in 1993 [17]. Moreover, while recession lasted for 7 years in post-Soviet countries and the decrease of cumulative production equaled to 51%, the mentioned index in Georgia reached 5 years and 78% [9, p. 9-10]. The economic fallout in Georgia took place quickly and during a short period the country's economy fell to the lowest level than in post-Soviet countries.

It must be noted that from two main directions of transformation of post-Communist economy – “shock therapy” and gradual [3, p. 21], in Georgia the emphasis was put on shock therapy. As it is known, its content comes from the orthodox scenario of macroeconomic stabilization when

liquidation (or at least minimization) of budget deficit and enforcement of strict monetary policy takes place in the short period of time in conditions of observing nominal mass of money or exchange rate [3, p. 21]. Besides, as the result of the problems of objective or subjective nature characteristic to the process of the reforms in Georgia, “shock therapy” was carried out “with maximum shock and minimum therapy”.

The scales of the economic crisis are shown especially clearly by the following indices: In comparison with 1988, in 1994, GDP amounted to 27.8%, industrial production – 15.6%, agricultural production – 49.3%, capital investments – 2.8 %, goods turnover volume – 33.3% [11, p.11]. In 1990-95, hyperinflation reached average 3310.6% [16], to be concrete, in 1994, the level of inflation exceeded 7800%. The level and quality of living fell significantly; the population was appreciably differentiated based on incomes.

In such difficult situation, radical and essential reforms were necessary to be carried out in all aspects of social life in order to overcome the crisis, so at that stage it was impossible to impale those reforms. It is worth noting that the currency reform carried out in 1995 (change of the former surrogate of currency – Kuponi, into the national currency - Lari (GEL)) laid foundations to reaching macroeconomic stability in 1996-97 and increasing gross domestic product with 24% [15, p. 98], however it did not shift into a more long-term tendency, the growth rate decreased, the budget and energy crises, sharp social differentiation could not be overcome, the employment still had critical parameters. Among the achievements of that period it is worth noting the commencement of construction of one of the longest pipelines (1,768 km) - Baku-Tbilisi- Ceyhan (BTC) pipeline.

Thus, Georgia met the 21st century as a typical post-Soviet country: with economic backwardness, undeveloped political and economic structures, unemployment, high level of poverty, corruption and crime.

The new government practically began to build a new state in a style of European democracies. Accordingly, from the very first days since coming to power the emphasis was put on carrying out reforms and establishing order.

Among the achievements in the sphere of economy, scientists-economists and experts pay the special attention to: establishing financial-budgetary discipline, overcoming budget and energy crises, fighting against corruption, setting legal rules of economic game, improving business environment (orientation of reformist endeavor towards improvement of business environment), significant decrease of tax load thanks to the new tax code, improving tax administration, accelerating processes of privatization and emphasizing support of private investments, simplifying customs procedures and improving their administration, great success in banking sector, telecommunications and international trade [see 1, 7; p. 73-74, p. 39-40].

At the same time, the following events are considered as the main negative processes (events) of the mentioned

period: significant fluctuation of the level of prices, deepening macroeconomic disproportions, decrease in the number of employees, growth of unemployment, prosperity of elite corruption, implementation of unreasonable and ineffective infrastructural projects, deterioration of the balance between social justice and efficiency, violation of the right of private property [see 2], stimulation of the economic model of Georgia on customer rather than on growth of production, which caused a lot of negative results including the fact that imports were 4 times more than exports [5, p. 8], control of large businesses by the government [see 6], blocking the advantages of high rates of economic growth to reach the most part of the population [8, p. 2].

The attitude in the Georgian society and among them in economists is different in relation to the important economic reforms carried out after the Rose Revolution [4, p. 18]; the presented positive and negative events, lights and shades of economy of the past period are subjects of a long dispute.

In 2003, the real and nominal gross domestic product in Georgia was 8.6 billion GEL (\$3.4 US dollars). By 2012, real GDP had equaled to 14.5 billion GEL which means that it increased 1.7 times, and nominal GDP was 26.2 billion GEL or 3 times more.

Throughout this period (excluding 2009), the tendency of growth (quite impressive in certain years) was characteristic to real GDP, and, in 2004-2012, it amounted to 6.1%.

We have the same picture in relation with real GDP per capita which, according to the parity of purchasing power (PPP), increased up to \$5,903 PPP for 2012 from \$2,961 PPP in 2003 [19, according to the data of International Monetary Fund].

The budget crisis was overcome which resulted in granting pensions and salaries of the state sector employees not have been allocated for years; as the result of improvement of various events including tax and customs administration and decrease in corruption, budget incomes (up to 7.1 billion GEL in 2012 compared to 0.93 billion GEL in 2003) were significantly increased; this enabled the country to increase pensions (more than 10.7 times) and salaries (more than 4.5 times) and carry out infrastructural and other types of projects.

In addition, the energy crisis was overcome. If the electricity had been supplied according to the schedule before (especially in winter), the reforms carried out in this sphere and the right management coped with the problem quickly and efficiently.

The tendency of growth was characteristic to one of the most important indices necessary for development of the country - investments. Namely, direct foreign investments had increased up to \$2 billion by 2007 compared to \$340.1 million in 2003, and in 2012 they amounted to \$911.6.

Such positive dynamics of the indices gives us the proof to urge that the systemic economic crisis was overcome and the vector of its development shifted onto the trajectory of growth. Also, it must be noted that in spite of all the above said, the poverty was not eliminated in the country,

unemployment was still high which increased from 11.5% (2003) to 15.0% (2012) and the number of employees decreased in the period of study.

It is known that economic growth does not always mean increase in employment and Georgia is a good example. The reason is that 80% of economic growth covered those fields where the number of employees did not exceed 20% of the total number of employees. Even the positive indices could not deal with the problem as investments in the real sector of economics “are followed” by new technologies, automation and computerization [14, p. 3-4]. Optimization of employees in the state sector can be considered as one of the factors. According to the above mentioned, in spite of carrying out employment projects by the government, it was impossible to diminish the problem of unemployment, let alone its settlement.

The same can be said in connection with the elimination of poverty: in spite of the economic growth, it is evident that the pace of the existing growth was insufficient for rapid permutation of the situation and essential rise in the level of living of the population, final elimination of poverty.

Like to other countries the major national interest of Georgia in conditions of maintaining its identity is to provide each of its citizens with high level and quality of living and prosperity. In order to achieve the above mentioned, it is necessary to provide competitiveness of economy, change the country into an active subject of international economy, achieve stable and safe development of economy. Fast paces of economic growth and development are important for the implementation of the above said. It is evident that apart from the growth of gross domestic product, the country's economic development depends on a number of factors. Besides, the mentioned macroeconomic indicators are both the basis and the result of providing acceptable parameters of other economic indices.

Realistic scenario. Nowadays Georgia can achieve 6-10% rate of real GDP growth. In such case it is possible to stop the aggravation of poverty and improve general economic situation, even develop it in certain direction, thought the country has the potential of development with more optimistic scenario.

The optimistic scenario for the development of Georgia will be the growth of GDP with more than 10% (at least in the present decade). In such conditions the country is given an opportunity to carry out quick and essential permutation, provide the population with the parameters of the level and quality of living characteristic to the developed countries and take up the challenges with dignity.

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