

Coronomic Crisis Challenges for the World and Georgia

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The economic crisis caused by the Kovid-19 pandemic proved to be the most severe test for the economies as world, so for individual countries. The crisis is still going on, but in its depth and severity it is already surpassing the global financial crisis of 2007-2009 and equating to the “Great Depression” of the 1930s. The coronomical crisis has significantly hampered the process of globalization, but there is currently no real threat for deglobalization.

The negative impact of the coronomical crisis on the Georgian economy was extremely large. In 2020, the country's gross domestic product (GDP) decreased by 6.1% compared to the previous year, in January 2021, the decline in GDP was 11%. The field of tourism, which has been the main source of foreign currency in Georgia in recent years, has found itself in a particularly difficult situation.

he anti-crisis activity of Georgia Government can be divided into three stages. In the first phase, the government implemented sharp limitations on economic activity across the country, what became a successful response to the pandemic. In the second stage, the opposite happened - the mitigation of restrictive measures led to the emergence of a new wave of pandemics, which quickly spread from the Black Sea resort area throughout Georgia. Its epicenter was in Tbilisi. The government was forced to carry out again to severe restrictions. We are currently dealing with the third stage, when the process of gradual opening of the economy is taking place against the background of pandemic intensity's reduction. The final solution to the problem will depend on the optimal combination of mass vaccination implementation and the gradual removing the restrictions of economic.

Keywords: *Coronomic crisis, deglobalization, anti-crisis policy, mass vaccination, restricting economy.*

JEL Codes: *I10, I18, I19*

The coronomic crisis caused by Covid-19 has dealt a severe blow to both global and the national states economies. Analysis of relevant statistics shows that this crisis with its depth, outweighs the financial-economic crisis of 2007-2008 and equates to the “Great Depression” of the 1930s. The impact of the crisis on the Georgian economy is extremely severe, which we will discuss below.

The pandemic had also significantly slowed down the process of globalization. Individual countries, relying on their own resources, were trying to overcome this disease and emerge from this coronomic crisis, although there are currently no tangible grounds or conditions for the beginning of the process of de-globalization. On the contrary, overcoming existing problems depends on joint action at the international level and the strengthening of mutual assistance between states.

The anti-crisis action of the Government of Georgia can be divided into two stages. The first stage was characterized by high activity and effectiveness of the measures taken. The situation changed dramatically on the second stage. For some reason the government finds it very difficult to fight the corona virus. The health care system and economy are on the verge of collapse, and the social situation is extremely dire.

The first reports in the world media about an unknown, dangerous to human health and life-threatening viral disease, (later called COVID-19 (Coronavirus)) which was discovered in Wuhan Province, China, appeared in mid-December, 2019. Chinese authorities officially acknowledged the existence of the disease in the late December. The World Health Organization declared COVID-19 as a global threat on January 30, 2020, and as a pandemic, on March 11. The Parliament of Georgia approved the Decree of the President of Georgia, on the introduction of a state of emergency throughout the country, on March 21, 2020. The second wave of pandemics, was characterized by a steady increase in the number of infected, dead, and recovering people. The exception could be China, which, through strict administrative measures by the state, high self-discipline and obedience to the law of Chinese citizens, has been able to reduce the spread of the virus, pull the economy out of recession and start economic growth.

The COVID-19 virus had dealt a severe blow to both global and the nation states economies. This is confirmed by the following statistical data – According to the World Bank, the world economy was decreased by about 610% in 2020, while the organization predicted a 5.2% decline at the beginning of this year. The European Union's economy was shrink by 7.5%, including: Italy – by 9.1%, Spain - by 8.0%, France - by 7.2% and so on. The United States economy was shrinked by 5.9%. The Asian Development Bank's May report estimated the damage to the world economy caused by coronavirus at 5.8-8.8 trillion US dollars, which ranges

from 6.4% to 9.7% of global gross domestic product (GDP). The volume of world trade was decreased by \$ 1.7-2.6 trillion; world tourism losses were estimated at \$ 1.2-1.5 trillion. The losses in the US were estimated at \$ 4.0 trillion, which is almost 10% of the country's gross domestic product. The crisis also leads to a dramatic decline of foreign direct investment. In particular, in 2020, their volume in the world decreased by almost 40% compared to the previous year, which in absolute terms is about \$ 1 trillion (World Investment Report, 2020). According to individual regions, foreign direct investment decreased: in developing Asia - by 30-45%, in Africa - by 25-40%, in Europe - by 20-35%.

Thus, we deal with the second global economic and financial crisis, which was provoked by the pandemic shock and it is called the "coronomic crisis" in the scientific literature (V. Papava, 2020). We can highlight the two main features of the mentioned crisis. The first is in the cause of the crisis, which is caused not by the contradictions within the economic system, but by the medical factor. Leading pharmaceutical companies in several countries have started serial production of anti-covid vaccine and the vaccination process is already underway in most countries of the world, although its pace is not high enough. Recently, a statement was made by one of the top officials of the World Health Organization - if the vaccination of the population continues at this rate, the process will take about 5 years to complete. Covid-19 vaccine shortages are particularly acute in economically disadvantaged countries.

At this time, the second wave of pandemics is intensively spreading in the world. Consequently, many European countries and Israel have again significantly tightened restrictive measures. Naturally, this is much easier to do for countries with the greater financial and technical capacity than Georgia, as we have very limited resources and most of them are foreign grants and soft loans.

In the current situation there are more and more rumors about the beginning of the process of de-globalization, which, in our view, has no real basis. Let us recall a few facts from history to clarify this issue. Internationalization, as a precondition and an integral part of globalization, was seriously hampered several times in the 20th century and the early 21st century. This was caused by the First and Second World Wars, the Great Depression, the Great Recession of 2007-2009, and so on. After the global financial crisis, there was a tendency of product localization, which is considered in the scientific literature as a mechanism for mitigating the employment problem caused by the crisis. It is assumed that priority is given to job creation in the country's internal, rather than in global labor markets.

It's a paradox, but the tendency of localization has emerged in the U.S., in the country, which is the core and locomotive of globalization. In any case,

such delays are of temporary nature. We think that the current slowdown of globalization caused by the COVID-19 pandemic will also be temporary.

The second feature of the coronomic crisis is its special depth. Scientists agree that this crisis, with its severity and devastating impact, outweighs the global financial crisis of 2007-2009 and equates to the “Great Depression” of the 1930s. In view of the above, the process of overcoming this crisis will be very difficult and quite long: It is estimated that considering the damage caused by the pandemic to the economies of global and individual countries, the leading countries will not be able to reach the 2019 economic level, until 2022.

The Coronavirus epidemic did not spare our country, either. The coronomic crisis caused by the coronavirus had an extremely severe impact on the Georgian economy. The country's gross domestic product fell by 6.1% this year, which is more than expected 5.1%. The country's foreign debt increased sharply. Covid-19 has had an extremely severe impact on tourism industry, which has its objective basis. The fact is, that the part of the tourism in the total domestic product of our country is 10-11%. This is a fairly high rate, according to which Georgia ranks 26th in the world and 1st in the South Caucasus, significantly higher than Azerbaijan (4.4%) and Armenia (4.2%) (Georgian National Tourism Administration, 2020). About 27% of total employees in Georgia is presented in tourism sector and it's related activities. Due to the coronavirus, the number of international visitors to Georgia was constantly decreasing. So, for example, in July 2020 it decreased from 1 099 347 to 48 535, in August - from 1 358 598 to 46 335. In September from 917 044 to 53 43. From May to September 2020, by 4,140,563 less visitors came to Georgia than in the previous period, as a result of which the state failed to receive \$ 3.3 billion from tourism (Georgian National Tourism Administration (gnat.ge).

The anti-crisis policy of the Government of Georgia can be divided into two fundamentally different stages: In the first stage, the government was characterized by resilience and hyperactivity (as soon as the first Covid-19 case registered in China, air traffic with this country was banned by Georgian government). As we have already mentioned, on March 21, 2020, a state of emergency was declared throughout Georgia, which lasted until April 21st and was prolonged until May 22. As a result of the measures taken, the government managed to slow down the spread of infection and ensure a lower rate of human casualties compared to other countries, so that “a certain level” of economic activity which is necessary for proper human living conditions and normal functioning of the country was maintained (Abesadze, 2020).

Unfortunately, the situation was changed dramatically in the second stage. At the end of August, the pandemic broke out in the Black Sea region of Adjara and has been spreading throughout Georgia since September. The number of

people infected with Covid-19 (only detected) fluctuated around 4,000 daily, which was a very high rate for Georgia. In terms of the number of coronavirus patients per 100,000 people, Georgia ranked first place in the world at that time. The health care system could no longer withstand this scale and was on the verge of collapse. The government was forced to declare Lockdown a second time and sharply tightened restrictive measures. Currently, in view of some stabilization of the situation, the government is carrying out the process of gradual opening of the economy and business.

In view of the above, in order to avoid a recurrence of a similar situation, it is extremely important to analyze the reasons for such aggravation of the situation in the second stage. We will point out a few. One of them is of a psychological nature - not a small part of the population has somehow come to terms with the risks posed by the coronavirus, they have reduced attention and, consequently, are not following restrictive norms like they used to. In the current difficult situation, in our opinion, some blame is also on the government, as they have managed to overcome the problems caused by the first stage of the pandemic and had not been properly prepared to meet the second stage. However, they really had enough time and financial resources for that. The factor of seasonality should also be taken into account: in July-August, there was a mass movement of the population to the mountain and sea resorts, where they, in most cases, ignored safety norms and regulations to prevent virus from spreading. The influence of a political factor on the epidemiological situation can also be considered crucial. The processes that took place in the period before and after the parliamentary elections in Georgia led to a mass gathering of people, which, not infrequently, took place without following safety regulations.

In conclusion, we should pay attention to another important aspect of the problem. It is well known from economic theory that the economic crisis is not only the destroyer of the old, but also the creator of the new economic reality, which is seen clearly in the transcriptions of the concept of crisis expressed in different languages - in Greek, "crisis" means "solution", in Latin - "division" and "transformation", in Chinese - "threat" and "opportunity". Therefore, the coronomic crisis should be considered not only as a serious test of the sustainability of the society and its component - the economy, but also as a "window of opportunities" for the formation of the new, more efficient and progressive economic structures. Who will use this opportunity and how, will largely depend on the success of individual companies or the economic development prospects of the whole country. It is obvious that humanity can no longer live with the pre-pandemic rules, after the coronavirus is finally defeated. In-depth changes in society are

inevitable. Those changes need to be made in coordination with human well-being standards and they need to create more humane environment.

The material presented in this issue of the magazine was based on the articles published in the 2nd issue of the same magazine in the section "Round table - coronomics", the full and updated version of which we offer to readers in English.

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კორონომიკური კრიზისის გამოწვევები მსოფლიოსა და საქართველოსთვის

ელგუჯა მექვაბიშვილი

პროფესორი

ივ. ჯავახიშვილის სახელობის

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კოვიდ-19 პანდემიით გამოწვეული ეკონომიკური კრიზისი უმძიმესი გამოცდა აღმოჩნდა ჩვენთვის მსოფლიო, ისე ცალკეული ქვეყნების ეკონომიკებისათვის. კრიზისი ჯერ კიდევ გრძელდება, მაგრამ თავისი სიღრმით და სიმწვავეთ უკვე აწახბებს 2007-2009 წლების გლობალურ ფინანსურ კრიზისს და

უტოდება 1930-იანი წლების „დიდ დეპრესიას“. კოხონომიკუიმა კიზისმა სა-გხდნობდად შეაფეხბა გდობადიზაციის პიოცესი, თუმცა ამჟამად აი ახსებობს დეგდობადიზაციის დაწყების ჰაიმე ჰედუიი საფიხბე.

უალხესად დიდი იყო კოხონომიკური კიზისის უაიყოფიი ზეგავდენა საქაიხვედროს ეკონომიკაზე. 2020 წელს, წინა წედთან შედაიებით, ქვეყნის მთლიანი სამამუდო პიოდუქტი (მსპ) 6.1%-ით შემციიდა, 2021 წლის იანვხის თვეში მსპ-ს ვაიენამ 11% შეადგინა. განსაკუთიებით ჰთუდ მდგომაიეობაში აღმორნდა ტუიზმის სფეიო, ჰომედიც ბოდო წდების განმავდობაში საქა-იხვედროში უცბოუი ვაღუის შემოდინების მთავაიი წყაიო იყო.

საქაიხვედროს მთავიობის ანტიკიზისუდი აქტიუიობა პიიობითად სამ ეტაპად შეიძლება დაიყოს. პიივედ ეტაპზე მთავიობამ განახოციედა მთე-დი ქვეყნის მასშტაბით ეკონომიკური საქმიანობის მკვეთიი შეზღუდვა, ჰის შედეგადაც შედო შედაიებით წაიმატებით განმკდავებოდა პანდემიას. მეო-იე ეტაპზე მოხდა პიიიქით - შემზღუდავი ღონისძიებების შეიბიდებამ გა-ნაპიიობა პანდემიის ახადი ტადლის წაიმოქმნა, ჰომედიც შავიზღვისპიი საკუიოიო ზონიდან მთედი საქაიხვედროს მასშტაბით სწაფად გავიციედა. მისი ეპიცენტი თბიდისში იყო. მთავიობა იძუდებული გახდა კვდავ მიემა-იოა მკაციი შეზღუდვებისათის. ამჟამად ივენ საქმე გვაქვს მესამე ეტაპთან, ჰოცა პანდემიის ინტენსიუიობის შემციიების ფონზე მიმდინაიეობს ეკონო-მიკის ეტაპობიივი გახსნის პიოცესი. პიობდემის საბოდოო გადაწყვეტა და-მოკიდებული იქნება მასობიივი ვაქცინაციის განხოციელებისა და ეკონო-მიკის შეზღუდვის თანდათანობით მოხსნის ოპტიმადუი შეიწყება.

საკვანძო სიციუბო: კოხონომიკური კიზისი, დეგდობადიზაცია, ანტიკ-იზისუდი პოდიტიკა, მასობიივი ვაქცინაცია, ეკონომიკის შეზღუდვა.

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