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## Georgia's Economy : myths and reality

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Once Georgia's economy successfully integrated into the common Soviet system of production, it exported 26% of its products to other republics of the Soviet Union. At the same time, 28% of all goods consumed in Georgia were imported from outside. It means that Georgia was less autonomous than other republics.

Eighty five per cent of all fuel and power resources consumed by Georgia were imported from other republics (from Russia-57%) as well as twenty five per cent of electric energy, almost all oil and gas resources, more than 80% of industrial wood, cement, 75% of grain, 60% of dairy products and one-third of meat. Georgia's biggest car making factory in Kutaisi received 95% of the components from other republics. Ninety per cent of raw materials for light industry were imported either.

Twenty two per cent of the Soviet manganese ore was produced in Georgia, as well as one-third of ferro manganese alloy, 7% of metal-cutting machines and 8% of silk fabrics. Georgia was also one of the major producers of main-line electric locomotives, lorries, agricultural machines and steel pipes.

Twenty five per cent of wine and cognacs, one-third of mineral water, 20% of grapes, 97% of citrus cultures and 92% of tea leaf-again were produced in Georgia.

It was admitted on all hands that Georgia was the most prosperous republic in the Soviet Union.

I have written all these figures just to show you how strong economic ties between Georgia and Russia were before the collapse of the USSR in 1991. It was possible to continue further cooperation even after. And there were certain needs for this:

- to squeeze maximum usage out of the earlier established complementary industrial potential
- to guarantee mutual access to raw resources, deposits and their rational usage
- to use each other's transport infrastructure to enter external markets
- to use each other's receptive market for mutual supplies
- to jointly settle humanitarian problems and care about Russians and Georgians residing abroad; to use great therapeutic potential of Georgian resorts for medical treatment of Russians, e.t.c

A Dutch physicist, Hendrik Lorentz, once said: `Luckily, my nation is not populous enough to make big mistakes'.

Unfortunately, we, Georgians, cannot say the same. Recently, I have written a book `The Deficit of Economic Thinking', where in a special chapter `The

Country of Absurd' I named all the mistakes Georgian politicians made in the past 15 years.

Civil wars in the very heart of Georgia- in South Ossetia and Tbilisi, bloodshed and violence, the destruction of the national economy- I call these processes the first natural disaster in Georgia.

Then the country was split over the CIS membership. Some called this organization an `imperial structure' and accused Moscow of attempting to restore the Soviet Union. Former Soviet republics, which joined the CIS immediately, were as free and independent as Georgia and had all privileges as CIS members, while Georgia had to pay twice and even three times more for the Russian resources. Since then Georgia's debt to Russia reached \$157 million. Isn't it absurd?

Then there was a war with Abkhazia, which led to a constant confrontation with Russia. Only in April, 1999, at the meeting of the Credit Union of Farmers and Peasants, Georgian President Eduard Shevardnadze admitted that confrontation with Russia after the collapse of the Soviet Union did much harm to Georgia. `We still have a hard-line regime in cooperation with Russia, but Georgian farmers won't do without its help'.

Really, it was a backward statement. Mr. Shevardnadze did not explain why his criminal home and foreign policy caused such damage to Georgian economy. Under Shevardnadze, 80% of Georgians became poor, about 2 million people had to flee their homes and move abroad in search for job and shelter. The country's environment also suffered a great loss. Corruption, prostitution, drugs; Eduard Shevardnadze was Georgia's second disaster. Despite the fact that his rule ended several years ago, we are still reaping the fruits, so to speak.

In February 2004 Mikhail Saakashvili was sworn in as new Georgian president. He paid his first visit to Moscow and, according to the polls, managed to make a good impression on Russians. But, unfortunately, the visit brought no progress in relations. On February 18, 2004, I wrote an article in Georgia's `24 Hours' newspaper. Then I called Saakashvili's visit to Moscow `successful' and added that it was necessary to continue such positive tendency. People hoped for continuation but in vain.

Soon it became clear that tensions between Russia and Georgia of the past 14 years remained and even intensified. Russia got fed up with Georgian whims and stopped trade cooperation with Tbilisi. Of course, this came as a great blow to Georgia's economy.

But the country's leaders viewed the situation from a different angle and even demonstrated their satisfaction with the economic blockade, expecting the businessmen to find other markets in Europe where they could trade wine.

However, all those words were meant to calm down the producers and the people. In the meantime, each year the EU allocates 500 million euro to France and Italy so that they got rid of ordinary and branded wines. It means that Georgia has practically no chances to find its niche in the European market.

All speculations about the improving Georgian economy do not cost a pound. If the situation was as good as our officials say, there would be no such high rates of unemployment and inflation.

In 2005 Georgia`s GDP reached only 65% of the previous rate in 1990, while the national industrial sector hardly recovered by half. Remember what Mark Twain said: `there are three kinds of lie: simple lie, brazen lie and statistics.

Actually, over the past 15 years nothing really improved in either sector of Georgian economy. Due to high unemployment rates and poverty, home market remains very unstable; there is an acute shortage of foreign investments. And a row with Russia came as a final blow.

These are the foundations of the economic science. Unfortunately, Georgia can no longer boast highly-qualified economists after special institute attached to the Ministry ceased to exist.

How to restore Georgia`s economy? Nowadays there are no national economies that could develop independently from the rest of the world. We must admit that Russia and the CIS will for a long time remain the most favorable area for Georgian economic development. Russia and the CIS republics have all necessary resources, a rapidly developing market, manpower and experience. Only Russia could understand Georgian needs and appreciate the work of Georgian experts, while in the West there are no vacant places. If we want a better life to our nation, we must be ready to find a compromise with Russia. This is the only means to finally achieve prosperity.

Ten years ago I knew that Europe would never care about Georgia`s economy in the way we need it. Otherwise, we would not have lived through this shock therapy.

In February 2003 the Presidents of Russia, Belarus, Ukraine and Kazakhstan agreed to establish a common economic zone between the states. Then I told in an interview with `24 hours' newspaper that it would be great if Georgia joined the initiative.

In December 2007, in an article headlined `A Chance to Survive' I analyzed the whole situation and concluded that if Georgia joined this common economic area (of course, together with its breakaway regions), it would mark the creation of a common economic zone within Georgia, and thus the country would receive a chance to restore its territorial integrity. However, I mentioned three ifs: Georgia's decision to join this economic area, U.S. approval of this and, of course, Russia's agreement.

Russia and Georgia are tied by history, culture and religion. They used to peacefully co-exist for 200 years! The fact that millions of Georgian people found shelter in Russia in most difficult times is also another crucial moment to be taken into consideration before making any conclusions about the future of Russian-Georgian relations. For Georgia, Russia means far more than any other European country or the U.S. altogether. We won`t be able to settle any problem without Russian help.

The history of Georgia of the last 17 years has shown that there are no other roads to peaceful life.

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