

Economic sciences

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## **GEORGIA IN ECONOMIC FREEDOM RATINGS: CURRENT SITUATION AND DYNAMIC**

***Summary.** As a result of the reforms implemented since the beginning of the current century, systemic economic crisis has been overcome in Georgia and economic growth has been ensured in the country. These processes have given Georgia a place among the reformist countries. The article discusses Georgia's place in the Indexes of Economic Freedom, the essence and dynamics of these indices.*

***Key words:** international ratings, economic transformation, index of economic freedom.*

In Georgia, a typical Soviet country with socio-economic development, the transition to a market economy began in the last decade of the twentieth century. However, the process of post-Soviet transformation was quite painful in the face of systemic crises. In the first decade of the XXI century, particularly since 2003, the country has undergone radical and substantive reforms that have made it one of the top reformers in Georgia for this period. In particular, Establishing financial-budgetary discipline, Overcoming budgetary and energetic crises, combating

corruption, Establishing rules of legal economic game, Improving the entrepreneurial environment (Focusing largely on reforming efforts to improve the business environment), The new tax code significantly reduces the tax burden, Improving tax administration, accelerating the privatization process and promoting private investment, simplification of customs procedures and improving administration, major advances in the banking sector, telecommunications and international trade [Examples: 1; 2, p. 73-74; 4, p. 39-40] had a particular importance in the economic field. Georgia's real and nominal GDP consisted of 8.6 billion GEL (3.4 Billion \$) in 2003. By 2012 real GDP amounted 14.5 billion GEL, so it increased 1,7 times, while the nominal amount - GEL 26.2 billion, three times more. Throughout this period (except for 2009) real GDP growth (in some years just impressive) was characterized by an average of 6.1% in 2004-2012. Various measures, including improving tax and customs administration, at the expense of reducing corruption budget revenues have increased significantly (eight times) (from 0.93 billion GEL in 2003 to 7.1 billion GEL in 2012). That allowed the country to increase pensions (10.7 times), salaries (4.5 times) and to implement infrastructure and other projects. Significant growth trend was characterized by one of the most important indicators for the country's development - investments. Specifically, FDI increased from 340.1 million \$ in 2003 to 2 billion \$ by 2007, it rose to \$ 911.6 million in 2012 [5]. During this period, as in other areas of public life, the economy has undergone significant revitalization, overcoming systemic crisis and securing growth trajectory [3, p. 37].

After 2012, the reform process continued. In this regard, the focus was on protection of property rights, measures to eliminate petty corruption, development of transport and energy infrastructure.

These achievements have been reflected in various international ratings, where Georgia's performance has improved significantly. In turn, such improvements in ratings have made Georgia a fascinating country for a variety of

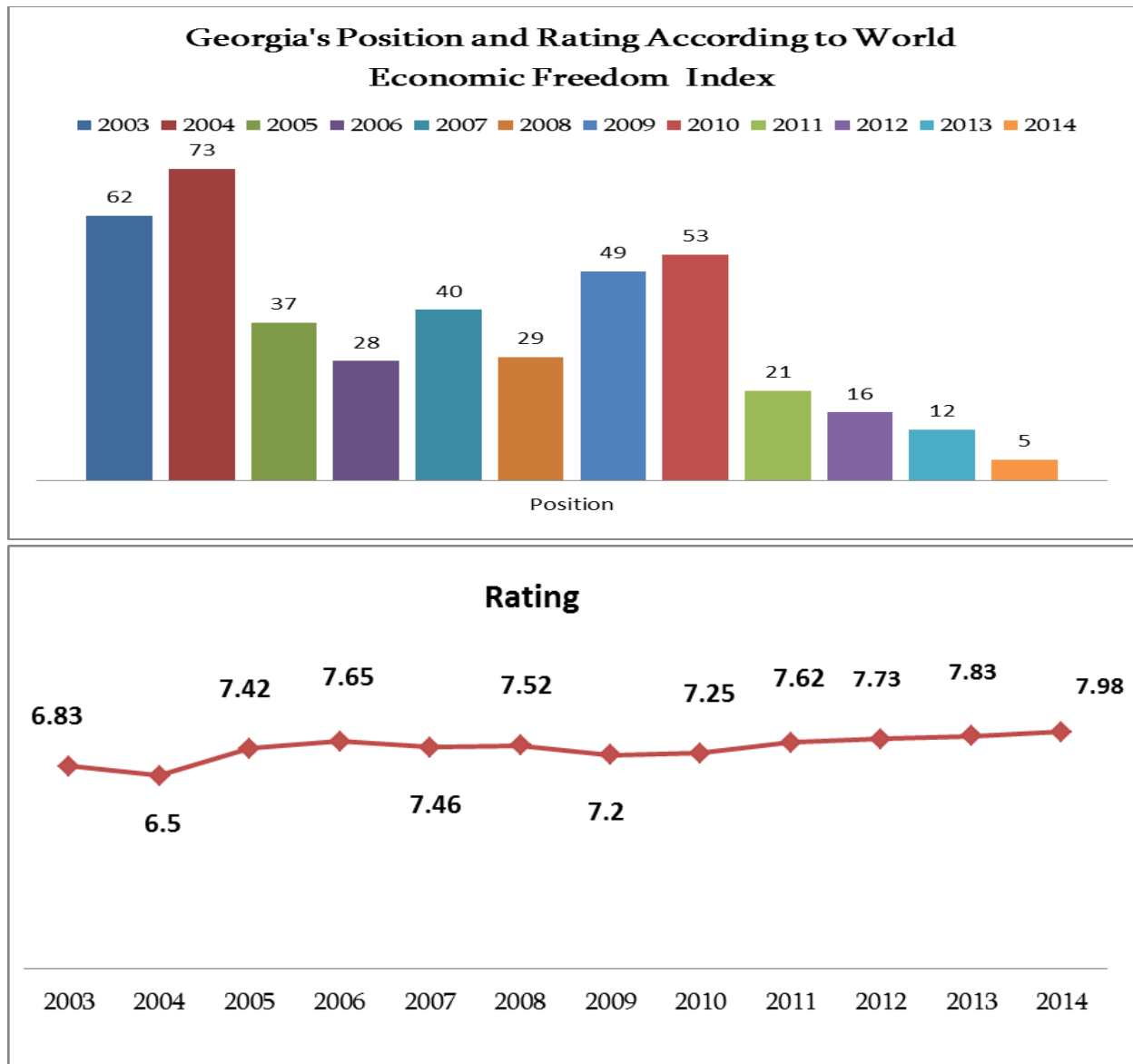
activities and investments. In this paper we will discuss Georgia's rating according to the Economic Freedom Index calculated by various international organizations.

**Economic Freedom of the World Index.** It's calculated by Frazer Institute, which is based on data from the International Monetary Fund, the World Bank and the World Economic Forum. It measures the country's economic freedom with the following five main fields: 1. Size of government: expenditures, taxes and enterprises; 2. Legal structure and security of property rights; 3. Access to sound money; 4. Freedom to trade internationally; 5. Regulation of credit, labor and business. This consists of several sub-components divided into 24 components (42 variables in total). Each component and subcomponent is rated from 0 to 10 points, with 10 being the highest and indicating a high degree of economic freedom.

Georgia ranked 62nd in this ranking with 6.83 points in 2003 (about 150 economies), and by 2014 it is already fifth with 7.98 points and is a leader not only among the countries of the former Soviet Union but also among the post-Soviet countries of Eastern Europe. In addition, there is substantial improvement in all five areas.

**Index of Economic Freedom.** The index is calculated by the Heritage Foundation and The Wall Street Journal and it is a quantitative measure of the simplicity of starting, operating and closing a business in the country. The overall score is based on surveys by Doing Business, Global Competitiveness Index (GCI), Corruption Perceptions Index (CPI) and World Justice Index (WJP). It is calculated based on the following 10 components presented in 4 groups: Rule of Law (property rights, freedom from corruption), Government Size (fiscal freedom, government spending), Regulatory Efficiency (business freedom, labor freedom, and monetary freedom), Market Openness (trade freedom, investment freedom, financial freedom). The rating ranges from 0-100, with 100 points indicating the highest score (the freest economy in the world and around 180 economies). 100-80 points mean Free

Economy, 79.9-70 – Mostly Free, 69,9-60-Moderately Free, 59,9-50-Mostly Un-free, 49.9-0 – Repressed [7, p. 2, 22].



Georgia has moved from 123rd position in the pre-reform period to 26th position by 2007, and according to the 2019 survey, Georgia is in the 8th position among 44 countries in the European region and among the 180 countries in the world with 75.9 points in the status of "Mostly Free". Georgia's overall score is higher than the region's (68.6 points) and the world average (60.8 points) [8].

Thus, Georgia is one of the economically free countries where property rights are protected and are quite effective regulations, open market, low tax burden, financial stability and freedom. Business registration is easy (individual entrepreneurs can be registered online in a matter of minutes, while the limited liability company is only a few hours away). If considered that Georgia is one of the safest countries in the world, after a series of measures, it can become a very attractive investment country. It should also be noted that existing gains may be reduced due to increased regulation in recent years, increased government spending and a significant fall in the GEL rate.

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