



GEORGIAN FOUNDATION FOR
STRATEGIC AND INTERNATIONAL STUDIES

**MOBILIZING GEORGIA'S IDENTITY:
THE HOSPITALITY SECTOR UNDER CORONOMICS**

NATALIA DINELLO

145

EXPERT OPINION





საქართველოს სტრატეგიისა და საერთაშორისო ურთიერთობათა კვლევის ფონდი
GEORGIAN FOUNDATION FOR STRATEGIC AND INTERNATIONAL STUDIES

EXPERT OPINION

NATALIA DINELLO

**MOBILIZING GEORGIA'S IDENTITY:
THE HOSPITALITY SECTOR UNDER CORONOMICS**

145

2020



The publication is made possible with the support of the US Embassy in Georgia. The views expressed in the publication are the sole responsibility of the author and do not in any way represent the views of the Embassy.

Technical Editor: Artem Melik-Nubarov

All rights reserved and belong to Georgian Foundation for Strategic and International Studies. No part of this publication may be reproduced in any form, including electronic and mechanical, without the prior written permission of the publisher. The opinions and conclusions expressed are those of the author/s and do not necessarily reflect the views of the Georgian Foundation for Strategic and International Studies.

Copyright © 2020 Georgian Foundation for Strategic and International Studies

ISSN 1512-4835

ISBN 978-9941-8-2775-4

MOBILIZING GEORGIA'S IDENTITY: The Hospitality Sector Under Coronomics*

“Every guest is a gift from God,” says a quintessential Georgian proverb. The qualities and traditions of generosity and hospitality are at the center of the national identity. Georgian poetry celebrates hospitality as a prime value along with honor, bravery, courage, and loyalty to one’s kin. In the chef-d’oeuvre of Georgia’s Golden Age, Shota Rustaveli’s *The Knight in the Panther’s Skin*, the king directs his daughter to “be generous, princely in giving” while ruling the country and its people:

*Generous deeds adorn a monarch as does a cypress Eden.
Even the traitor is won when the hand of the ruler is generous.*¹

Throughout its long history, Georgia has been struggling for the preservation of its unique identity. Located between powerful empires, it was first influenced by the Roman-Persian rivalry and, later, by Byzantine-Islamic conflicts. For three centuries, it was dominated by the Ottoman and Iranian Empires. Then followed Georgia’s annexation by the Russian Empire in the early 19th century and, after a short-lived but momentous independence as a democratic republic, its incorporation into the Soviet Union for 70 years. With all the historical struggles, numerous invasions, many periods of the country’s fragmentation and enormous devastation, Georgia has proven that its geography is not its destiny but, rather, a test of its strength and perseverance. Georgia’s identity has survived despite strife and upheavals and was boosted by the country’s political independence gained in 1991.

The ongoing global coronavirus (or COVID-19) pandemic offers, however, another test. The health crisis has led to Coronomics, the new state of the global economy, which is qualitatively different from the previous economic recessions, is likely to last a long time and has a largely unpredictable

* This opinion paper owes much to the collaboration between the George Washington University’s Graduate School of Political Management on the US side and Sector 3 – Hub for Development, Center for Development and Democracy and Endowment “ProDemos” on Georgia’s side. Despite the coronavirus pandemic, we were able to hold a joint online program on May 2-5, 2020 with the participation of high-level Georgian officials and representatives of civil society and we look forward to furthering engagements. My thanks go to Ketevan Chachava, Margalita Shakarashvili and Luka Kurdgelia of Sector 3 for help with and feedback for this opinion paper. I am also grateful to Rahat Charyyev, a Political Science student at Concordia University, for his assistance with the search for literature sources.

pathway.² Belonging to the category of Black Swan events – those with low probability but high impact – Coronavirus entails both a health and an economic global emergency.

The ways Georgia has fared under this double crisis suggest resolve and perseverance – the attributes that are deeply rooted in the country's history. As for the options in the aftermath of the emergency, the country can and should capitalize on its cultural legacy and mobilize the key characteristics of its identity as a means of recovery and moving forward.

Management of the Coronavirus Pandemic

According to the Johns Hopkins University COVID-19 Dashboard, the number of confirmed coronavirus cases is approaching sixteen million worldwide while more than 640,000 pandemic-related global deaths have been registered so far.³ With a population of almost four million,⁴ Georgia has escaped the worst concerning the spread of the coronavirus: by August 13, there were 1,283 confirmed cases in the country and only 17 deaths.⁵ In comparison, neighboring Armenia, with a smaller population of about three million,⁶ had by the same date more than 41,000 confirmed coronavirus cases and 809 deaths.⁷

The limited spread of the coronavirus in Georgia and the low death toll are the results of the following four categories of government and civil society actions: the early warnings and early protective and preventive measures, effective information campaigns, epidemiological testing and the enforcement of a quarantine.

Referring to the first category, Georgia's Prime Minister, Giorgi Gakharia, highlighted the screening of the body temperature of all arrivals from China beginning in January. A ban on flights from countries that became hotspots in the global outbreak (primarily, China) began on January 28 and was followed by a complete ban on international travelers on March 18. Schools were closed and restrictions on public gatherings started in mid-March. A state of emergency was declared on March 21 which banned movement during the night and imposed heavy penalties for breaking the emergency rules.⁸

Secondly, since the first case of COVID-19 was registered in Georgia on February 26, state institutions and non-governmental organizations

(NGOs) held extensive information campaigns to increase the awareness of the novel virus. Many creative but simple approaches were employed to effectively inform the public about the symptoms, dangers, and measures to be taken against the virus. They included using information stickers on loaves of bread, the distribution of reusable grocery bags containing a description of COVID-19 prevention in ten regions of Georgia and the broad dissemination of the contact details for the Emergency Response Center and a unified hotline.

Coordination among the Public Safety Management Centre, the Ministry of Health, the National Center for Disease Control and several NGOs as well as sound planning by the Education Development and Employment Center, with the financial support from the European Union (EU) and the Konrad Adenauer Foundation, played an important role in ensuring that the needed guidance and advice reach the public. Considering the multi-ethnic composition of the population of Georgia, transmitting information in a variety of languages has also helped protect different communities.⁹

Thirdly, the Lugar Lab, officially called the Center for Public Health Research and named after the former US Senator, Richard Lugar, managed to activate its emergency response unit early on, in January, and quickly focused its resources on testing for COVID-19. Established with US government funding to identify and address disease outbreaks and being part of Georgia's National Centre for Disease Control, the Lugar Lab proved to be essential in detecting coronavirus cases and preventing the spread of the pandemic.¹⁰ The Lab's high levels of biosafety and advanced technology ensured the effectiveness of testing.¹¹ Beyond the Lugar Lab, by July 2020, there were 19 laboratories across Georgia testing for the coronavirus with 30,000 PCR (polymerize chain reaction) tests performed per million of the population.¹² US taxpayer-funded laboratories – similar to Georgia's Lugar Lab – are also fighting COVID-19 in Armenia, Azerbaijan, Kazakhstan and Uzbekistan.¹³

Fourth, the government provided thousands of its citizens with quarantine facilities: travelers returning from areas with a significant number of infections remained in voluntary isolation for two weeks even if they did not have coronavirus symptoms. Speaking to students of the George Washington University on May 3 as part of the online program, Mariam Kvrivishvili, Head of the Tourism Administration of Georgia, shared that both luxury and small hotels had by then accommodated more than

20,000 people in quarantine according to the standards of the World Health Organization which prioritized safe transportation and lodging, appropriate hygiene and the provision of meals.

Coronomics Meltdown

The global economy is experiencing the sharpest contraction since the Great Depression of the 1930s. As per the forecast of the International Monetary Fund, it will shrink by three percent in 2020 as a result of the pandemic which is a much worse decline than during the 2008-2009 financial crisis.¹⁴ According to World Bank's latest forecasts, the global economy will shrink by 5.2 percent this year with the largest fraction of economies experiencing declines in per capita output since 1870.¹⁵ Reflecting the fear of investors, the Dow and the FTSE stock markets saw their biggest quarterly drops in the first three months of the year since 1987.¹⁶

The travel industry has been among the most damaged: the governments of more than 100 countries have introduced travel restrictions to try to contain the virus, the number of air flights globally took a huge hit and customers canceled business trips and holidays.¹⁷ The United Nations World Trade Organization (UNWTO) estimates the decline of travel and tourism by 44 percent this year and expects a 58 to 78 percent decrease in international tourist arrivals in 2020, depending on the speed of the containment of the virus and the duration of travel restrictions and the shutdown of borders.¹⁸

Unfortunately, Georgia has not managed to shelter itself from the Coronomics meltdown. The IMF's April report expected its economy to fall by four percent this year – considerably greater than in Armenia whose economy was predicted to decline by 1.5 percent in 2020.¹⁹ The World Bank's June forecasts were even grimmer, anticipating a 4.8 percent economic dive in Georgia and a 2.8 percent decline in Armenia.²⁰ The serious consequences of Coronomics for Georgia are not surprising, considering the structure of its economy and its openness to the world.

The share of tourism, one of the hardest-hit industries worldwide, constituted 8.1 percent in Georgia's 2019 gross domestic product (GDP), benefiting from the expansion of the accommodation units to more than 1,600 and direct flights from 35 countries involving 43 airlines.²¹ The broader estimate by the non-profit World Travel and Tourism Council is that 31.3

percent of Georgia's GDP depended on the travel and tourism industry in 2018, including associated establishments and businesses such as hotels, restaurants, events planning, parks, transportation, supermarkets and shops.²² Tourism accounted for 45 percent of the country's exports in 2018 while the share of international guests was 75 percent.²³

Under the halt of international travel and restrictions on domestic travel – both related to business and vacations, complemented by the national lockdown measures, the entire hospitality sector experienced an unprecedented shock. A study by the Policy Institute at the International School of Economics at Tbilisi State University (ISET-PI) has found that due to the coronavirus outbreak, Georgia might lose from USD 514 million to USD 2.01 billion as a result of the suspension of the tourism sector.²⁴ The collapse of global travel is expected to result in a 65 percent decline in tourism revenue in 2020.²⁵ According to the macroeconomic review by the National Bank of Georgia, the country's tourism sector already lost USD one billion in the first six months of 2020.

Death Knell or Window of Opportunity?

Coronomics may sound the death knell for the hospitality industry. Some voices maintain that the suffering of a country's economy is likely to be proportional to its reliance on travel and tourism: in terms of this reliance, Georgia is positioned between the Cayman Islands and Cambodia.²⁶ A Georgian economist, Merab Janiashvili, considers it a “big mistake” to count on such a vulnerable sector as tourism as the basis of the economy and prioritize it in government support.²⁷

Indeed, the hospitality industry is susceptible both to economic crises and political conflicts. As a reminder of this vulnerability, the June 2019 ban by the Russian Federation on all direct flights between the two countries significantly affected Georgia's tourism.²⁸ Introduced in response to mass protests against a Russian parliamentarian's charring of an assembly of legislators from Orthodox Christian countries held in the Georgian parliament building, this ban not only signaled the escalation of tensions between the neighboring countries but also cost the Georgian economy around 0.6 percent of its GDP.²⁹

It is also true that “putting all eggs in one basket” is not good for the economy. Diversification is necessary and the development of other

sectors of the Georgian economy, such as manufacturing and information technology, may be in order. However, the hospitality industry should and can be an engine of the Georgian economy as it is inherently linked to other traditional and much-valued industries such as the wine and food sectors as well as to the rural economy which is still dominated by small-scale agriculture.

According to the UNWTO, “the past crises have shown tourism’s capacity to bounce back strongly and quickly after external shocks” and that “tourism contributes directly and, through its multiplier effect also indirectly, to global job creation and economic recovery.”³⁰ Now is the time to show that the vulnerability of the hospitality industry can be overcome and that Georgia can lead the way in implementing a recovery strategy.

Considering that time is money and the window of opportunity to benefit from Georgia’s comparative advantage in the management of the pandemic is narrow, Georgia resumed domestic tourism on June 15 and, after some delay, plans to open its doors to foreign tourists starting from September 1. The slogan of this reopening, *Georgia – A Safe Destination*, is justifiable by the unique experience and skills acquired by the tourism industry in providing quarantine services during the pandemic.³¹ The translation of this slogan into practice will involve the introduction of safety standards at border crossings, airports, and guest accommodations; ensuring the health safety of guides and the creation of safe corridors between countries.

To support the tourism industry as an international frontrunner, the government of Georgia has offered a range of fiscal and monetary stimulus policies. A package worth GEL one billion (USD 312 million) to buttress the tourism industry, including a four-month tax holiday and loan repayment assistance,³² was complemented by assistance to 18,000 companies with more than 50,000 employees worth about GEL 100 million (USD 33 million)³³ and VAT refunds to businesses to help with cash flow.³⁴ Capital expenditures intended for the tourism industry were increased by GEL 300 million in the 2020 budget and the agency for the development of small and medium-sized businesses, *Enterprise Georgia*, has also launched a financial support program. The monetary measures involved the restructuring of the debts of companies operating in the tourism industry and the suspension of customer payment on loans.³⁵ The UNWTO acknowledged Georgia’s deferral of property and income taxes for companies in the tourism sector, the restructuring of their debts and the government’s payment of interest

on loans for small hotels.³⁶

Government support is thus addressing the major recommendations of the UNWTO to ensure the capacity of travel and tourism in the immediate aftermath of the health and economic emergency: managing the crisis and mitigating the impact, providing stimulus and accelerating recovery and preparing for the future.³⁷ Multilateral and bilateral financial aid to Georgia can help implement these recommendations. One example is EUR 73.1 million in funding from the lending arm of the World Bank Group intended for the Emergency COVID-19 Response Project in Georgia.³⁸

Mobilizing Identity

The introduction of international audiences to Georgia relies on the natural hospitality and the generosity of the nation. The country has already made huge investments in the hospitality sector – in financial, marketing and skills development terms. Even though Coronavirus interrupted the trend of increasing dividends from these investments, the hospitality sector can recover relatively quickly, judging by the previous after-crisis records. Its recovery is also likely to stimulate related industries and services and provide a multiplier effect to the Georgian economy.

As an example of a related industry, Georgia's winemaking has been driving the global awareness of and interest toward the country over the last decades. Advertising Georgia as a Cradle of Winemaking, which originated in 6000 BC,³⁹ and wine as a symbol of Georgian national identity has logically connected wine production with wine and food tourism. "Tasting Georgian cuisine and wine" is cited as the main motive for 66.6 percent of international visitors to the country.⁴⁰ From the "Grapevine Cross" as a major symbol of the Georgian Orthodox Church to Georgian church architecture and paintings, which use the vine leaf as one of the most distinctive motives, and to the hymn "Thou Art the True Vine," as the most important sacred song, the country's winemaking legacy and its unique wine culture reinforce the attractiveness of travel to Georgia.

Thus, going beyond economics, the hospitality sector is also a facilitator of learning about Georgian culture, cultural exchanges, mutual understanding, solidarity, and peace. It can leverage efforts to preserve and promote natural and cultural heritage, mitigate, if not resolve, conflicts and mend past wounds. Its sustainability largely depends on global and regional

security and people-to-people diplomacy. As noted by Mariam Kvrivishvili, visitors to the country are seen and treated as guests rather than mere tourists. And this treatment is organic and genuine – consistent with the Georgian welcoming and open-hearted culture.

As another confirmation of Georgia’s unique identity manifested in perseverance, the country has demonstrated its resilience in fighting the coronavirus pandemic. It has also revealed resourcefulness, creativity and adaptation as well as innovation in reorienting the travel and tourism industry to wage this fight via the quarantine, arrange the return of Georgian citizens from abroad and move some of the associated sales and services online.⁴¹

By venturing into restarting domestic and international tourism, Georgia signals that it is not risk-averse. But its courage in re-entering the precarious business segment amidst the health crisis, which is still raging in many countries of the world, calls for exceptional responsibility.

The hospitality sector must deliver on its promises, especially the promise of safety. The introduction of safety standards and guidelines, the creation of safe corridors and plans to accommodate tourists in the so-called “green zones” that had no coronavirus cases are still matters of aspiration. It would take, however, incredible discipline and persistence, attention to detail and steadiness in the meticulous following of the rules and guidelines to materialize the new image of *Georgia – A Safe Destination*.

The design and implementation of novel entrepreneurial models, the development of enhanced collaboration networks and the extensive training of hospitality staff are in order. Not letting a serious crisis go to waste, it is also essential to rethink the tourism system to make it more sustainable and resistant to external shocks. This reimagining of the future can and should be done in close cooperation with the UNWTO which is emblematically headed by Zurab Pololikashvili, a Georgian politician and diplomat. In the words of Pololikashvili: “Trust is the new currency of our ‘new normal.’”⁴² Georgia’s hospitality sector is well equipped to channel this trust and conceive the “new normal” if it mobilizes the key characteristics of the country’s identity and develops the new qualities needed for success in the global market.

References

1. Ajith De Alwis. "Coronomics – Plan your eggs and the basket!" *Financial Times*, February 6, 2020; Kate Andrews. "Coronomics: Ordinary Remedies Won't Be Enough for a Surreal Crash." *The Spectator*, April 4, 2020; Vladimer Papava and Vakhtang Charaia. "The Coronomic Crisis and Some Challenges for the Georgian Economy." *Expert Opinion*, Rondeli Foundation: Georgian Foundation for Strategic and International Studies, No. 136, 2020.
2. *Johns Hopkins University COVID-19 Dashboard*, retrieved August 13, 2020.
3. "Total Population by Country 2020: Georgia." *World Population Review*, retrieved August 13, 2020.
4. *Johns Hopkins University COVID-19 Dashboard*, retrieved August 13, 2020; *StopCoV.ge: Prevention of Coronavirus in Georgia*, retrieved August 13, 2020.
5. "Total Population by Country 2020: Armenia." *World Population Review*, retrieved August 13, 2020.
6. *Johns Hopkins University COVID-19 Dashboard*, retrieved August 13, 2020.
7. Hollie McKay. "Prime Minister of Georgia Explains Why the Country Has Had No Deaths from Coronavirus." *Fox News*, April 3, 2020; Rayhan Demytrie. "Coronavirus: How 'Three Musketeers' Helped Georgia Fight Virus." *BBC News*, July 6, 2020.
8. "EU Supported Project 'Georgian Civil Society Sustainability Initiative' Implemented Innovative Ways of Delivering Information to Prevent Further spread of COVID-19." *Delegation of the European Union to Georgia*, May 14, 2020.
9. "Georgian, Chinese Officials Praise Lugar Lab Activities During Coronavirus Amid Russian Disinformation Campaign." *AGENDA.GE*, May 2, 2020.
10. Isobel Cockerell. "A US-Funded Lab in Tbilisi, Georgia Fights COVID-19 — and Russian Disinformation." *Coda Story*, March 18, 2020.
11. Rayhan Demytrie. "Coronavirus: How 'Three Musketeers' Helped Georgia Fight Virus." *BBC News*, July 6, 2020.
12. Paul Stronski. "Ex-Soviet Bioweapons Labs Are Fighting COVID-19. Moscow Doesn't Like It." *Foreign Policy*, June 25, 2020.
13. "Executive Summary." *World Economic Outlook: The Great Lockdown*, April 2020, p. vii.
14. *Global Economic Prospects*, A World Bank Group Flagship Report, World Bank Group, June 2020.
15. "Coronavirus: US Stocks See Worst Fall since 1987." *BBC News*, March 17, 2020.
16. Lora Jones, Daniele Palumbo and David Brown. "Coronavirus: A Visual Guide to the Economic Impact." *BBC News*, June 30, 2020.
17. "International Tourism and COVID-19," *United Nations World Tourism Organization Global Tourism Dashboard*, updated June 20, 2020, slide 9.

18. "Chapter 1: Global Prospects and Policies." *IMF World Economic Outlook: The Great Lockdown*, April 2020, p. 23.
19. *Global Economic Prospects*, A World Bank Group Flagship Report, World Bank Group, June 2020, p. 80 in the full report.
20. Mariam Krivishvili, "Presentation of the Tourism Administration of Georgia," *Joint Online Program of the George Washington University's Graduate School of Political Management and Sector 3 – Hub for Development*, May 3, 2020.
21. Colm Quinn. "The Tourism Industry Is in Trouble. These Countries Will Suffer the Most." *Foreign Policy*, April 1, 2020.
22. "International Tourism and COVID-19," *United Nations World Tourism Organization Global Tourism Dashboard*, updated June 20, 2020, slide 7.
23. Elene Karenashvili. "How Will the Coronavirus Outbreak Impact Georgian Economic Growth?" *AGENDA.GE*, March 27, 2020.
24. *Georgia: Sixth Review Under the Extended Arrangement*, IMF Country Report No. 20/149, International Monetary Fund, May 2020, p. 35.
25. Colm Quinn. "The Tourism Industry Is in Trouble. These Countries Will Suffer the Most." *Foreign Policy*, April 1, 2020.
26. David Pipia. "Georgia: What Fate Awaits Tourism?" *JAM News*, April 27, 2020.
27. Andrew Roth. "Putin Bans Russian Airlines from Flying to Georgia." *The Guardian*, June 21, 2019.
28. *The World Bank in Georgia Country Snapshot*, Tbilisi: World Bank, October 2019, p. 3.
29. *Supporting Jobs and Economies through Travel & Tourism: A Call for Action to Mitigate the Socio-Economic Impact of COVID-19 and Accelerate Recovery*, United Nations World Trade Organization, April 1, 2020, p. 9.
30. "Rebranding Georgia's Tourism Image: Domestic Tourism Starting June 15, Int'l Tourism from July 1." *AGENDA.GE*, May 7, 2020.
31. "Coronavirus Pandemic Batters Tourism in Georgia." *EURACTIV*, March 23, 2020.
32. "COVID-19: Measures to Support Travel and Tourism: Georgia." *UNWTO Global Tourism Dashboard*, updated June 19, 2020.
33. Hollie McKay. "Prime Minister of Georgia Explains Why the Country Has Had No Deaths from Coronavirus." *Fox News*, April 3, 2020.
34. "COVID-19: Measures to Support Travel and Tourism: Georgia." *UNWTO Global Tourism Dashboard*, updated June 19, 2020.
35. "How Are Countries Supporting Tourism Recovery?" *UNWTO Briefing Note – Tourism and COVID-19*, Issue 1, UNWTO, June 2020, p. 9.
36. *Supporting Jobs and Economies through Travel & Tourism: A Call for Action to Mitigate the Socio-Economic Impact of COVID-19 and Accelerate Recovery*, United Nations World Trade Organization, April 1, 2020, p. 7.
37. "IBRD Offering €73.1 Mln in Emergency COVID-19 Response Funds to Georgia." *AGENDA.GE*, May 18, 2020.

38. N. Chkhartishvili and D. Maghradze, "Viticulture and Winemaking in Georgia." In Maghradze, David et al., *Caucasus and Northern Black Sea Region Ampelography, VITIS - Journal of Grapevine Research*, 2012, p. 3 (169).
39. *Beyond Arrivals: Emerging Opportunities for Georgian Firms in Tourism Value Chains*, Washington, DC: World Bank Group, 2020, p. 17.
40. David Pipia. "Georgia: What Fate Awaits Tourism?" *JAM News*, April 27, 2020.
41. *Trust is the New Currency*, Statement of the UNWTO Secretary-General, UNWTO, May 15, 2020.