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The Priorities of Georgian Economic Development in Conditions of Globalization

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Abstract

The article is about economic problems, economic growth, and development in Georgia in conditions of universal globalization in the world. In the modern conditions it's hard to find national economy, which isn't included in the system of the world economy. Globalization-integration is an irreversible tendency in the world economic development, which is characterized by high growth quality of relationships between national economics. Economic development is a necessary condition for solving many challenges facing Georgia. Economic growth of any country in modern conditions is largely determined by universal globalization processes. Studying economic growth problems in the country and analyzing it is the most topical problem. World globalization processes are more and more popular in the world, a lot of new countries take part in it and by implementing various international projects, and they become even more active participants in modern globalization processes. Globalization can be defined as a process of sharp development of goods and services flows, capital, information and technologies, which usually is not in the borders of national government regulations. Its main power is changes in informational communication technologies, liberalization of markets and aggravation of international competition.

Keywords: development; globalization; integration; effectiveness.

Introduction

Globalization and priorities of developing countries

All countries are facing the same problem – how to make a maximum use of globalization's privileges and at the same time keep loses and risks at minimum.

Globalization's important challenge is importance of improvement of stable economic growth, social development and ecological situation, unemployment and poverty and social inequality that come with it. The state should carry out employment-oriented projects, and should play a major role in creating jobs, encouraging business development from the government, which in turn implies development of various fields and infrastructure. Society, included Georgians, is in post-industrial development stage, which is characterized by global integration of highly developed countries. In modern conditions it's hard to find national economy, which isn't included in world economy system. (Chania, Economic Growth and Problems of Tax Balance in Georgia, 2004)

In twenty years of the last century, John Keynes said that the governments are obliged to search economic development model of their country, always improve the system of economy management. He thinks that economic policy opinion is decided by finding suitable model for the country's development.

Georgian economic development depends on an effective use of transit potential of a country. Our country is not standing out with diversity of strategic natural resources, but it has favorable transport-geographical location, which gives it a strategic transit function. Increase transit potential - one of the priority directions of the strategic development of the country, which will help trans economic activities in the future. The function of Georgia as part of the Europe-Caucasus-Asia transport corridor has grown significantly since the 90s of the twentieth century. Strengthening the transit role between East-West implies traditional transportation as well as transportation of energy resources. Such international function strengthens the interest of the West and Eastern States towards Georgia as a stable development of the country on a transport axis. Performance of transit function requires the development of close economic relations with the neighbouring states and the deepening of regional cooperation. (Shaburishvili & Chania, 2017)

Georgia and the country's economic challenges

Economic development is a necessary condition for solving many challenges facing Georgia. It is essential not only to raise the well-being of our citizens. For many reasons we need to ensure that the country has a stable and high level of development. In order to achieve this goal, the beginning is to set some orientation, evaluate the current economic situation, and create the stages of development and desired rates. Such an economic indicator, such as GDP per capita, is not a full feature of economic development of the country, but at the initial stage it is quite sufficient for our goals and to assess the current situation. (Chania, Entrepreneurship as an economic development, 2017) World countries can be divided into four major groups, depending on their GDP / per person: 1. Poor countries - GDP per person less than 1000 USD 2. Developing Countries - GDP / per person is 1000-5000 USD; 3. Medium development countries - GDP per person is 5000-12000 USD; 4. Developed countries

- more than $ 12,000 in GDP per person. This classification, of course, is not exact, especially when it comes to numbers. Overall, it coincides with the universally accepted classification, but there is a difference in the margin indicator of different groups. This classification is well reflected by the main groups of countries according to economic development and by means of it we can determine Georgia's economic development priorities. Georgia's GDP is about USD 2700. This is of course very few. Georgia's indicators are much worse than of those countries that are far less educated, where the level of corruption is higher and the government is less effective than ours. Why is it so and how to achieve improvement of this situation? The reason for this is that the initial conditions of Georgia were very difficult (civil war, ethnic conflicts, foreign aggression, occupied territories), the Georgian economy was actually colonial, the industry was underdeveloped, and agriculture was mainly carried out by plantations and was tied to Russia. Our closest and most important task is to turn Georgia into an average development country, to achieve $ 5000-6000 GDP per person. This is the minimum level of economic development, from which we can talk about social programs, science and education development. At this level of economic development will be seen, what will be the role and function of the Georgian economy in the global economy, which fields will become the leading, especially in industry. (Asatiani, 2010) In order to achieve this level, GDP has to reach about 20-25 milliard US dollars, which means increasing GDP by about 10-15 milliard dollars. Sharp increase in investments is vitally necessary for this. Neither the Georgian business nor the Georgian government has enough resources to invest in this required level, so the necessary sources are foreign investments. In addition, almost all countries around the world are interested in foreign investments, and in the conditions of such high competition to gain the attention of investors, Georgian economy will have to create an appropriate environment. In the case of free economy, the government will certainly not start building enterprises and make direct investments in the economy, but it has several ways to effectively influence the economy. These tools can be divided into larger groups: the first phase tasks are:

- Creating an attractive business environment;

_ The international treaty the aims of which is to avoid double taxation of investors, and also to facilitate Georgia's favorable foreign trade regime with the main subjects of the world economy, primarily with the European Union.

It's necessary to share the European experience in the economic reforming process. In addition, it's essential to follow the EU recommendations and support the European integration process in the country. It's advisable to reduce the negative trade balance (including with the EU) of the country gradually, to increase the volume of export and Georgian export to the EU. Finally and most importantly, further gradual integration of the Georgian economy to the EU should continue. (Putkaradze, 2015)

It should be noted that many of the issues from this stage are resolved by Georgia. Regional integration is a necessary condition for uninterrupted trade relations between the West and the East. The inability of a separate country to help create strong economy and infiltrate global business with the rights of competitor and partner, which means that it will stay a country with powerless economy and will not be able to evolve dynamically. The role of the transit corridor now serves as an international function for Georgia and offers far more opportunities for sustainable development. That's why it's important to use these privileges at its best. These are specific sectorial challenges related to Georgian regional and global economic integration:

• It is necessary to use Georgia's strategic location as a transit corridor between Central Asia and Europe to create additional cost in economy;

• Development of logistics sector, according to Western standards;

• Promotion of the private sector participation in transport infrastructure is important for effectiveness, improving the quality of service, for the purpose of accessing remote areas, communications and long-term financial sustainability, together with reforming the regulatory field.

Georgia's investment environment and potential

The next step is to advertise the economic opportunities and achievements of the country, search potential investors and work with them. To attract investments, we need find out for what kind of investors Georgia will be attractive; Find out the potential circle of investors and what can be done to expand it. (Basilia T, 2001) We also need to know the opinions and wishes of these investors, and to satisfy them we need to use all resources. Energy should not be spent to find an abstract investor or expect a case, but let's select a potential investor's circle for whom the investments in Georgia will be interesting and work with them intensively. It is important to note that Georgia today has some preferences in the trade with the EU, which many countries do not have. In this regard Georgia can be attractive for many industrial companies, especially for developed Asian countries. For the same reason, Georgia may be interesting for some of Europe's industrial companies which are determined to take part of their industrial capacities from Europe to other countries and to define products for Europe. For example, toy producing companies, which are intensively trying to find a place for their production. Finding such enterprises and sectors should be a separate subject in Georgian reality, with the result of which the potential investor's circle will be revealed. After that, it will be possible to work on attracting investments. It is of utmost importance for Georgia to develop and implement a united and consistent policy in the nearest future, the components of which will be:

- Improvement of business environment;
- Conclusion of the relevant international treaty;

- Advertising attractiveness of investments of the country;
- Finding potential investors and carrying out relevant work with them;
- Modernization of the country's infrastructure;
- Preparation of qualified personnel.

We understand the economic situation of Georgia, which is expressed in its shortage and dysfunction (GDP / less than 10% of the average European), inequality (Gini coefficient - 0,41) and unemployment (15%). We believe that such conditions effective improvement cannot be achieved only by the improvement of the business environment and implementation of separate infrastructural projects, as well as in important budgetary social orientation. It is important that the government of Georgia recognize the importance of industry as a major driving sector in building a strategy to create a country with economic growth, employment and wellbeing. Based on modern technologies and skills, resource saving and energy efficiency, production of industrial products that are close to environmentally safe and European standards must comprise the role of compass for other sectors. Only economically, socially and ecologically balanced production should be allowed to ensure green growth and sustainable development. Creating new products and industrial modernization should be implemented by investments in innovations, new technologies, researches and development, studies, in which the leading role should be borne by the state with the commercialization of this field. In order to develop and implement a new industrial policy, the government should rely on such principles as: State and private sector partnership; Government should support a specific project or program, not a whole sector; The experimentation of the project should not be considered as a defect; Project implementation should be transparent and the criteria of success should be clear, therefore in case of failure of the project timely suspension of the project - necessary; The project should be accompanied by positive social and economic effects; The high political figure of the government should be directly interested in high-priority projects (e. g. Prime Minister) and supervise them. (A., 2013)

Georgia occupies a very low position in the international trade. A share of export from Georgia makes only 0,01% of the total world export, while a share of imports to Georgia makes 0,03% of the total world imports. Export of the Georgian agrarian products has a great potential. Great attempts are required for increasing a share of exports from Georgia, especially to the EU market. The perspective products able to enter this market, are: wine, mineral waters, nut, honey, other agrarian goods. The article provides a reader with a list of the major trade partner countries, major commodity groups for export and import, other issues. (Putkaradze, ACTUAL ISSUES OF THE FOREIGN TRADE OF GEORGIA, 2012)

Summary

In conclusion, we would like to note that to form Georgian economic competitiveness priorities it's important to start using newest technologies, to create strong material

and moral motivations, accumulating experience to improve competitiveness in all areas. The difficulty of achieving their goals is often caused by the lack of our management, the weak link with the production of science, in unopposed investments in the human resources, especially in the development of competencies, in implementing the latest technologies, in the development of infrastructure.

The processes of economic growth is progressively spreading worldwide and day by day more and more new countries take part in it and throughout other global projects they get more active members of modern globalization processes. And Georgia is not an exception. Development of united politics and holding them in the closest period of time will contain: making business environment better; making specific contracts; advertising country's investment's attractiveness; search of potential investors and work with them; modernize country's infrastructure; qualify personal.

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