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## **Georgia at the crossroads of economic development**

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**Abstract.** In the last decade of XX century, has expanded the area of capital movements, which included the former socialist countries. Thus, the countries that are attracting some of the centers of the capital and at the same time, participate in the export of capital, it is impossible not to have engaged in a global economy. Our country has been greatly involved in the processes of globalization. At the same time, Georgia's future development will depend on how the country is adapting to globalization with the need for policy implementation, the political, economic and organizational actuating levers. In this regard, the need for more emphasis on the intellectual forces of international finance - financial institutions with their own interests, the use of integrated approaches to economic development, high rates of achievement, social and economic policy harmonization, social inequality mitigation. Finally, the orientation of foreign economic priorities have to be organic in conjunction with the ongoing processes, it must define the strategic objectives of the national economy.

**Methods of research:** Deduction, Synthesis, comparative analysis of scientific literature, statistical analysis, Historical approach.

**Keywords:** Public Finance; Financial Aspects; Economic Integration; Macroeconomic Policy; Fiscal Policy

**JEL:** F36, H30, E60

**Survey.** Georgia is a country of ancient culture and civilization. Public perceives it though the facts that we have two-thousand-year original written language and literature, many remarkable monuments of spiritual and material culture. Obviously, this high-level culture was based on developed economy (Abuselidze, 2016, p. 39).

Any phenomenon in nature or society, including economics, permanently moves. Besides it moves not in the closed circle, but along a rising way, however, unevenly. Movement (development) of economy is spiral, as each next stage is always higher. This law of economy development covers long period and implies existing of more or less normal, natural conditions, what surely do not rule out some sharp turns, sometimes even serious fails or digressions caused with concrete situations during certain periods of time.

These days are the epoch of changes. Georgia is in the process of implementation of very difficult, contradictory in many matters, but historically necessary irreversible reforms. In political sphere they include transfer from totalitarianism to democracy; in economy – from administrative and management system to market; in individuals' life – transformation to independent economic player. Such changes in public, economy, totally in our lives are difficult, as they require from each of us to change.

According to objective necessity, transfer to the new economic system needs to study economic system of transient period in general and those functioning in the highly developed countries, what will promote solution of the difficult problems our country is up against. Nowadays Georgia has to settle very difficult problems of the transient period (Abuselidze, 2013). The Chinese are fair saying that if you want to damn a man, you must wish him to be born in the epoch of great transformations. Just in such period of thoroughgoing reforms we have to live. One political economic system is wiped off the face of the earth giving way to absolutely new one (Abuselidze, 2006).

Above mentioned shows that in Georgia factually social revolution has happened, i.e. demounting of centralized mandative economy and formation of market relations performed. At the same time this period was very contradictory. Georgia was enforced to choose thoroughgoing reformation. “Shock therapy” was recognized the principal way of development of market economy. Such reform policy was reasonable because of the basic causes, that Russia liberalized prices, Georgia was in rouble zone and it had neither own, national currency, nor reserves of international currency for rapid introduction of own currency. Against such background even attempts of evolutionary reformation would cause immediate economic collapse, much bigger social damage, but no reason would may be found to that Georgian reformers, for the reason of originality or any other one, used Russian model in Georgian economic space, what caused hard political and socioeconomic conditions in Georgia. Its economy moved backwards by tens years. Industrial output decreased by 86%, for some kinds of products – by 80-90%. Total economic loss equaled approximately 5-6 milliard US Dollars.

All above means that social price for progressive reformation proved to be very high: obtaining of independence, transfer to market relations was performed in return of loss of the great part of manufacturing potential, pauperization of population and transfer to the group of the poorest countries. The latest period evident progress is observed, but still there is a long way we have to go towards “the temple”...

Nowadays Georgia is at one of the most difficult stage of its centuries-old history, like the chess player being in time trouble, having no idea of the next move to do, or direction to choose. The process of revival of Georgia develops difficultly and inconsistently. Historical

achievements are accompanied with extremely considerable losses: real danger of territorial corruption, activation of separatist and destructive forces, decrease of production potential and scale. All these take place, although thanks to its natural resources, convenient geopolitical and geostrategic localization and lots of other potentialities it might have been one of the leading countries in the world.

A question arises: what shall do to find a way out of this hard situation? What we shall begin with?..

There are many ways and means thereof, but the principal way of salvation relates to economy, its creation and proper functioning, one of the principal means of solution of all material, spiritual and other problems, headstone of material and spiritual restoration of our nation.

Yes, just economy, its creation and proper functioning make the main way of salvation, the main mean of solution of all the problems. And if the country management does not make rapid reasonable steps for financial economic crisis management and creation of strong national economy, our country will become similar to “banana” republic despite of its geostrategic localization and importance. In the best it will become a pawn in the play of big states of the world. As we know, the players may move their pawns forward or backward, sacrifice or exchange them to something...

For the purpose of increasing the rate of growth of economy we shall start operating of the whole potential of national economy. Our economic potential, reversible nature of reformation process as well as historical background of these reforms going beyond the scope of one country’s problems, all these make us to be optimists in this respect. A big part of the world is involved into this process and the whole world is interested in its successful completion.

At the close of XX century Georgia obtained the new historical and economic function, involving into the current process of world globalization as a equivalent and adequate partner, namely Georgia cooperates with the Organization for Economic Co-operation and Development (OECD), United Nations Economic Commission for Europe (UNECE), United Nations Conference on Trade and Development (UNCTAD). The problem of socioeconomic and political stabilization of Georgia is a burning one, besides the task of integration of Georgia into the world economy is extremely actual. In respect of historical development this is an especial phenomenon. The important role in the world relations system belongs to the axis “north-east”. In this system Georgia has two possible variants of geostrategic direction:

The first variant is to fix and obtain a status of semi-peripheral country, occupy world economic and political relations niche, where our country will not have any complaints concerning potential bigger than we have now; proceeding this, it should accept this result and

have a specific privilege of intermediary position between center and periphery. This is a real trend and a real danger as well.

The second one is to become one of economically developed countries thanks to geopolitical and geostrategic localization, i.e. a country of modern high-technology economy, high standard of living, developed system of socio-political relations approximate to international standards and democratic institutions.

So, “north” or “east”? From which of them we should accept advices, business proposals and recommendations, where we should go to? Whose flag to serve? These are the questions standing before all Georgian patriots and waiting for timely, well-qualified reply, solution, fulfillment.

In these two alternative phenomena we can clearly observe future economic and political orientation of our country: “north” and “east”, “Europe” and “Asia”, “Christianity” and “Muslimism”. These terms step by step became a question of “to be or not to be” for Georgia. Georgian nation was a member of the European “family” according to its economic system, nature of economy, forms of manorial relations, education, religion and all other socio-political signs and spiritual and anthropological structure.

According to our people’s notion, “East” and “Europe” meant “promoted”, “leading”, “developed”. However, in 1996 President of Germany Roman Herzog being in Georgia with official visit, said in one of his speeches: “You, Georgians, have so great historical heritage, that you have no need to be taught anything. While people in Georgia was working out state laws, Europe had no notion of such things...” (Abuselidze, 2004).

Unfortunately, just the others remember our history. As for us, we have forgotten it.

**Conclusion and Recommendations.** So, there are many ways out of existing situation and means of management of economic crisis in Georgia. As we think, we should make some concrete arrangements, namely:

- accelerate privatization of state economic units (but not of all of them);
- promote setting up joint ventures, mobilization of foreign capital, technologies and specialists, what will play the greatest role in revival of the Georgian economy and solution of its economic crisis;
- purposeful and proper use of foreign experience, namely, accelerated development of foreign trade, especially export was one of the ways of coming out of recession in Germany, Taiwan, Singapore, China and other countries. Just development of foreign trade and export should become the main goal of our country. Only “singaporization” (tourism industry development, concentration on service sector development) will not be enough. We should do the greatest efforts for products creation. “Chinization”

should become a strong impulse for development of Georgian production, what supposes development of export. That is why, in the nearest future we should plan significant structural changes in the industry, namely decrease energy intensiveness and increase science intensiveness. For this purpose it is reasonable partly decrease specific quota of energy intensive sectors of industry (ferrous and nonferrous metallurgy, chemical and petrochemical industry) and fulfill all the measures (quality improvement, introduction of intensive production methods etc.) providing maximum satisfaction of power demand in the named sectors, the purpose whereof should first of all include improvement of industrial products quality.

- As we consider, development of agricultural production should remain the main strategic task of agrarian policy of our country, as it will have the special importance in the terms of state sovereignty and economic independence as the main source of currency recourses mobilization.
- Specific attention should be paid to activation of such big reserves of Georgian economic and social development, as the Black sea coast of Georgia, its economic and transport complex. That is why, research study of the Black sea coast economy and Georgian foreign economic relations is necessary. We should set up permanent scientific cell in the structure of the Academy of Science of Georgia engaging in systemic investigation of economic and social matters related to these problems.
- It is known that in the antique world the formula “road is life” was created. Nowadays it assumes bigger importance and larger scale.

We hope that everybody know the Great Silk Road, oil road, natural gas road ect. will pass though Georgia, what once more proves the idea expressed by our ancestors, that the roads always were and will remain a necessary factor for the economic development of country.

Georgia, a country desiring to come out of the deepest financial, economic and sociopolitical crisis, create strong national economy and improve its people’s welfare in the shortest period should take into consideration socioeconomic tends and processes of the world, as well as specificity of Georgia itself, its traditions and mentality.

We think, just that is the way towards building of united, strong and flowering Georgia.

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