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TRENDS OF FOREIGN TRADE AND ITS DEVELOPMENT IN GEORGIA

Georgian foreign trade relations are characterized by a number of problems and features but it is also clear that at present it is extremely important for Georgia to deepen trade and economic relations with developed countries than with the countries of the same level of development. This is mainly due to the country's growing technological dependence on developed countries. It is greatly significant for developing and transitive countries to attract foreign investments that is one of the basis of economic development, growing export and their integration in world economy and trade; stimulating Georgian export and reducing foreign trade balance will be highlighted.

The subject of research is state trade policy of Georgia as the independent country focused on export, ways and methods of its implementation.

Keywords: International Trading, Export, Import, Trade turnover, World trading organization, World market, Business partner.

The retrospection of developing trading relationships

After achieving independence, Georgia has established diplomatic and trading relationships with a lot of countries. From the early years, in the economics of our country, an unwelcomed tendency was established, which was reflected in the negative balance of the accounts of current operations. But with the help of international organizations, most importantly, the international exchange fund and the World Bank the stabilization of economic situation and liberalization of foreign trade were achieved. Already in the year 1992, the deficit of the current operations accounts consisted of 247.2 million U.S. dollars, and from that point on, it is described by a growing tendency.

In case of using its geographical location and rationally using its natural resources, Georgia can take a worthy role in the world trading and increase the trading-economic relationships with the world commonwealth. Today Georgia is the field of great interest between the world's greatest countries. Independent Georgia has been given a capability of being a connecting bridge of the east and west, north and south. Policy oriented on export must consider getting into the foreign markets and improving the cost conditions and the production in the local export sector. Both of these aspects are a topic of agreement negotiation about trading, which defines with what conditions the countries will open their markets to each other. During trading negotiations every partner tries to get discounts from the other partner, in the fields in which they have a relative advantage. Georgia has export potential in the labor-intensive manufacturing more so, than in simple product production, which does not give away kind of special advantage compared with mass production. Georgia is mainly interested in opening a euro union market for agricultural products and labor-intensive products. On second thought, high industrial economics, like Euro Union, mainly performs export of big-scaled economic-having differentiated and technologically modern products. Because of this, the interest of this countries is to enter the markets with this products and services associated with them. Also, the Euro union focuses on the entrance of those kind of difficult markets, which are like financial markets, and on those aspects connected to economy, which are like defending intellectual properties. The object of special interests of each partner is presented by different markets.

For better rating the foreign trading relationship's tendencies, we must discuss the country's trading rotation, export-import, biggest trading partner countries, biggest import and export commodity groups and other indicators in more details. [2]

In year 2000 the country was accepted in to the world trading organization (WTO), after which an important step was taken in the country, from the viewpoint of developing trading policy, which is expressed in the following:

- Low import tariffs was made, and often times it was fully abolished;
- From 16 tariffs only 3 were left (0%, 5%, 12%);
- VAT and Excise are balanced and equal on the local import commodity;
- The amount of import and export licenses was decreased.

The country achieved favorable trade regimes, which made it more attractive on the world markets.

First of all it was reflected in, that a unified tariff system was developed with the countries in world trading organization, the tariff system which is lower compared to the most countries of the world; and secondly, a preferential trade regime was established with U.S.A., Canada, Switzerland and Japan. In the year of 2000, in the

world's 87 countries, there was \$323.9 million dollar value export from Georgia. The cost of imported products from 92 countries, consisted of \$709.5 million dollars. In the year 2001 the value of exports in 81 countries was \$317.2 million, and the import value of products from 104 countries consisted of \$752 million.

In the year 2002, the value of exports in 86 countries was \$345.7 million, and the import value of products from 111 countries consisted of \$794.7 million.

In the year 2003, the value of exports in 83 countries was \$461.3 million, and the import value of products from 112 countries consisted of \$1,139 million.

In the year 2004, the value of exports was greatly increased and it was \$646.9 million in 80 countries, and the value of imported products from 117 countries consisted of \$1,844.3 million.

In 2005 Georgia enacted a new Tax Code, which greatly reduced tax rates. The tax system had important institutional changes. The amount of taxes was reduced, 5 states (countries): income, excise, VAT, customs, profit and 2 locals. Local taxes are determined by local authorities. According to the data of year 2005, Georgian export achieved \$865.5 million. Export of products was in 94 countries, and from 120 countries there was \$2,487.5 million worth of import products from 120 countries.

In 2006, from 100 countries the value of exported products in Georgia was \$993.2 million. The imported products' value from 121 countries was \$3,680.8 million.

In 2007 the negative trading balance with 100 partner countries – because of the trading deficit – consisted of 4122,3 million dollars, instead of 104 countries and 2850,8 million US dollars, which was fixated in the year 2006. In 2007 the country had a positive trading balance with 23 countries (145,8 million US dollars), instead of 28 countries and 109,2 million US dollars, which was fixated in the previous year. The export amounted 1,232.1 million and the value of imported products amounted \$5,212.2 million.

In 2008, 20% social tax, which was paid by business income tax by 12%, was unified in 25% income tax; since the first January of 2008 the corporate profit tax was decreased from 20 to 15%, the dividends were exempted from tax; the 28% VAT is a must for those entrepreneurs, whose yearly rotation exceeds 100 thousand gel; The international export shipping, tourism and other services are subject to zero VAT. As a result of a tax reform in 2010, business became a subject to differentiated taxation. Its types were allocated: micro, small and medium. If the entrepreneurs' usual yearly turnover is less than 30 thousand gel, they are not a subject to taxation [7].

In order not to limit the development of business in the country, the licensing and permitting requirements were simplified, the licenses were reduced by 98%, 756 of the licenses were abolished, and new regimes for licensing were founded. General tendencies formed in Georgia's foreign trading in 2007-2014 years is described by the given table below, from which it is plainly visible, that like in previous years, Georgia's foreign trading turnover is rising, but the trading deficit is rising with a higher tempo and accordingly the coefficient of import getting covered by export is not rising. The geography of trading and the amount of trading countries is rising, but the amount of countries with which Georgia has positive trading balance is not rising. And even though it is the truth that compared to the previous period, export figure (indicator) as a whole is rising, the export commodity structure is not changing [8].

Table #1.

Generalized figures of Georgia's foreign trading 2007-2014 years

Million U.S.A. Dollars	2007 Year	2008 Year	2009 Year	2010 Year	2011 Year	2012 Year	2013 Year	2014 Year
export(FOB)	1232	1 495	1 134	1 677	2 189	2 377	2 909	2861
import(CIF)	5212	6 302	4 500	5 257	7 058	7 842	7 874	8596
turnover	6444	7 797	5 634	6 935	9 247	10 220	10 784	11457
balance	-3980	-4 806	-3 367	-3 580	-4 869	-5 465	-4965	-5735

In 2014 the foreign trade turnover with EU countries was 2990 million U.S.A. dollars (in 2013 – 2879 million USA dollars), which is 4 percent more than the corresponding figures of the previous year (there was also a rise in year 2013, which was 3 percent more than the previous year). From these numbers, export amounted 621 million USA dollars (2 percent more), and import amounted 2369 million dollars (4 percent more). Georgia's foreign trade turnover with these countries accounted for 26 percent, including 22 percent in export and 28 percent in import (correspondingly in the year 2013 – 26, 21 and 28 percent). 30 percent of the trading deficit in 2014 (32 percent in 2013) was on the countries of EU.

The foreign trading turnover with CIS countries in the year 2014 amounted 3593 million USA dollars (5 percent less than in 2013). From these numbers, export amounted 1465 million USA dollars (10 percent less), and import amounted 2127 million USA dollars (2 percent less). CIS countries' share in Georgia's foreign trading turnover was 31 percent, including 51 percent in export and 25 percent in import (correspondingly in the year 2013 – 35, 56 and 27 percent). 12 percent of the trading deficit in 2014 (11 percent in 2013) was on CIS countries.

Table #2.

Georgia's foreign trading by country groups 2008-2012 years

Million U.S.A. Dollars	2008 Year	2009 Year	2010 Year	2011 Year	2012 Year
Export, total	1 4951	1 134	1 677	2 189	2 377
including:					
Euro Union countries (27) –	335	238	310	424	353
Black Sea Economic Cooperation					
Organization countries –	884	697	898	1 185	1 331
Guam countries –	339	251	374	578	805
CIS countries –	541	416	677	1 053	1 246
WTO countries –	920	667	931	1 051	1 034
Economic cooperation and development countries –	752	521	741	814	790
Import, total	6 302	4 500	5 257	7 058	7 842
Including:					
Euro Union countries (27) –	1 756	1 336	1 467	2 053	2 427
Black Sea Economic Cooperation					
Organization countries –	2 981	2 288	2 620	3 553	3 761
Guam countries –	1 269	835	1 050	1 323	1 241
CIS countries –	1 998	1 298	1 588	1 942	1 997
WTO countries –	3 886	2 926	3 226	4 432	5 089
Economic cooperation and development countries –	3 069	2 303	2 516	3 388	3 930

In 2013, the ten largest trade partners' share in Georgia's total foreign trade turnover amounted 66 per cent. Largest foreign trading partners are: Turkey (1529 million USA dollars), Azerbaijan (1348 million USA dollars) and Ukraine (795 million USA dollars).

It is of outmost importance for Georgia to improve trading economic relationships with EU. The EU market is one of the largest markets in the world and it makes up 20% of world trades.

Georgia's export in EU is described by a steadily rising tendency, but compared to the size of import it is unessential, which is characterized as a plainly visible negative balance. In the terms of world economic globalization and integration, it is vital for Georgia to increase the scale of trade-economic relationship with EU. Even more so when Georgia's strategic and trade-economic interests include striving for EU membership. It is also important, in the terms of liberal trading policy, to open up the markets with EU on bilateral level. The said statement has both positive and negative sides, but in perspective, in the long run Georgia will surely win. Opening up bilateral economic borders supports diversification of export market and reduces the independence of the country in separate markets. Taking into thought the unimportant part of Georgia's export in the big market of EU, importing Georgian products will not become a threat for the inner market of the EU. Georgia's inclusion in the European trade-economic field will support the increase the competitiveness in the world market for agriculture and industry sectors, it will also support social-economic development of Georgia, creation of new jobs, strengthening of middle class, establishment of European norms in economic and legal fields, regulation of topics connected to non-tariff barriers and other standards. All of this will support the increase of social-economic indicators in the country, which in its own right will increase the trading relationship with developed countries.

Commodity structure of Georgia's foreign trading

Analysis of Georgia's main commodity structure of foreign trading shows us, that the commodity structure for exporting is dependent on the commodity structure of importing. When import is almost 450% more than export, import is not oriented on investment goods, and export of raw material has direction, the share of the finished product in it is small [8].

This year, within the commodity group, the first place in top 10 exports still went to motor vehicles, which amounted to 704 million USA dollars, 24% of the whole export. This tendency is intact in the year of 2014, but the amount was drastically decreased making only 518 million gel, which is 18 percent of the whole export. Ferroalloys export amounted 230 million USA dollars, and its share in the whole export was 8 percent. Third place went to hazelnuts and groups of other kinds of nuts. The export of this group's goods amounted 167 million USA dollars and its share in the whole export was 6 percent. This tendency is intact with the data of 2014 too. In 2014, the ten largest trade partners' share in Georgia's total foreign trade turnover amounted 68 percent. The largest trading partners are: Turkey (1966 million USA dollars), Azerbaijan (1182 million USA dollars) and Russia (853 million USA dollars).

In order to increase the export of the country, financial support is necessary. In particular, a system for export production and export operation insurance and lending must be formed. For the establishment of western

markets, the quality of products originated from Georgia, export potential and rising competitiveness must be considered as a prioritized way. It is also a must to make events, which will be focused on implementing modern technologies and machine-devices in local production. Compared to the import, the export of Georgia is unfavorable. However in the import structure technology and machine-devices are presented as a negligible share. It should be noted, that in Georgia the goods' structure of import must be focused on developing the countries production power more, which is also a basis for improving the export base. For this the development of local production must be the first priority and a special attention must be paid to those fields, which can bring serious export income to our country. Many products are imported in Georgia, which could also be produced here and with an equal or better quality.

Similar tendencies are also preserved in year 2015. According to the data of the first quarter the trading turnover amounted 2 279 million USA dollars, the amount of import is 1776 million USA dollars, export – 503 million USA dollars, correspondingly the trading turnover is still deficient and the balance – amounts to 1273 million USA dollars. According to the first quarter, the analysis of the main goods' structure of foreign trading, shows us that, the export of the country still mainly comes on motor cars, ferroalloys and copper and ore concentrates, but the import of oil and oil products', automobiles' and treatments' expenditures. The representation of the main trading partners is also still preserved. It should be noted, that both the export and import sizes were increased in Russia, in 2014y. the ten largest trade partners' share in Georgia's total foreign trade turnover amounted 68 percent. The largest trading partners are: Turkey (1966 million USA dollars), Azerbaijan (1182 million USA dollars) and Russia (853 million USA dollars). In the total turnover of Georgia, share of this 3 trading partner countries correspondingly amounts to 17, 2; 10, 3 and 7, 4 percent [6].

Table #3.

Largest commodity positions in Georgia's export

Name	2010 year	2011 year	2012 year	2013 year	2014 year
Export, total	1 677 472	2 189 136	2 377 455	2 908 499	2 861 191
In – %	100%	100%	100%	100%	100%
Including:					
Motor cars	227 360	450 297	587 296	703 862	517 787
In – %	14%	21%	25%	24,2%	18,1%
Ferroalloys	263 966	254 911	260 478	299 898	285 752
In – %	16%	12%	11%	7,9%	10%
Mineral or chemical, nitrogenous fertilizers	84 155	144 091	137 221	24,2	137 622
In – %					4,8%
Gold, raw or semi-raw	5%	7%	6%	130576	
In – %					
Other nuts, fresh or dried	117 647	109 890	87 977	4,5%	183 399
In – %	7%	5%	4%		6,4%
Ethyl alcohol	75 134	130 086	83 659		
Non-denatured,	4%	6%	4%		
Alcoholic strength				166 713	
Less than 80% vol. alcoholic drinks.				5,7%	
In – %					95 190
Grape natural wines	55 705	67 852	80 027		3,3%
In – %	3%	3%	3%		
Mineral and Fresh waters	41 138	54 103	64 871	99 866	180 722
In – %	2%	2%	3%	3,4%	6,3%
Ores and copper concentrates					
In – %	36 917	47 607	59 341	127 851	137 124
Other commodities	2%	2%	2%	4,4%	4,8%
In – %					
	74 504	85 135	53 535	106 884	248 090
	4%	4%	2%	3,7%	8,7%
	693 704	838 995	910 987		919 705
	41%	38%	38%	161 632	36,5%
				5,6%	
				1 066 611	
				36,7%	

Conclusion

Georgian foreign trade relations are characterized by a number of problems and features but it is also clear that at present it is extremely important for Georgia to deepen trade and economic relations with developed countries than with the countries of the same level of development. This is mainly due to the country's growing technological dependence on developed countries. It is greatly significant for developing and transitive countries to attract foreign investments that is one of the basis of economic development, growing export and their integration in world economy and trade; stimulating Georgian export and reducing foreign trade balance shall be highlighted. It is doubtless that the share of developed countries in Georgia export shall be increased that will grow the competitiveness of export production. Growing trade cooperation with developed countries is not only the incentive for their local production development but also the basis for attracting investments; the scale of Georgian trade and economic cooperation shall be significantly increased with the EU countries; and the main thing is to make the perspective of Georgian transit potential usage reality that will importantly grow Georgia's trade-economic cooperation with the International Community and on the background of globalization it will facilitate Georgia to be on a decent place in the world trade. For Georgian government export is a source of future economic growth. Considering Georgia's small export base it can be assumed that successful reforms will support creation of newer export products than expansion of the existing ones. This assumption is especially true when the existing export basket does not include almost any of the processing products. So far, several sectors of Georgian industry are beyond international distribution of labor. Export potential is still unused. Substantial increase of actual economic growth presumably coincided with significant structural changes of Georgia's export basket. That's why, the aim of export support policy shall be not increasing the volume of the same product but discovering and using those new export products the competitive production of which is possible through implementation of lower trade barriers and local policy supporting market development.

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