

**SOME ISSUES OF THE RAPID DEVELOPMENT OF GEORGIA
AS A TRANSIT COUNTRY****Paata GIORGADZE***Sokhumi State University, Georgia
paatagiorgadze@mail.ru***Abstract**

The increase in transit infrastructure in the country leads to an additional increase in services (fuel supply, technical services, trade, etc.) contributing to "multiplication" growth of local revenues. But only this effect for sustainable economic development of the country is insufficient. Today, like never before, Georgia needs scientifically justified short-term and long-term state economic programs of the rapid socio-economic development and population welfare program, the realization of which, according to the author's opinion, the state budget revenues, new jobs, people's capacity to buy and the welfare of the country will be guaranteed. Besides, on the basis of macroeconomically grounded research, it is of great importance that the real possibilities of increasing competitiveness of the country through the use of mechanisms for capitalization technologies and world financial resources of Georgian Water Resources Fund; On the international stock exchanges, materialization of Georgia's Groundwater Drinking Water Supply in the form of securities (promotions, bonds, bills) forms a higher class bank guarantee as a new financial instrument. According to the conclusion, at the modern stage of globalization, Georgia should become one of the successful exporting countries in the world market of natural drinking water production and finished products, as a result, the reinsured funds in sectoral economic projects are multiplied in the growth of the country's income and well-being.

Keywords: *Georgia, transit, water resource, multiplier, accelerator*

JEL Classification: *O10, O11, O12*

I. INTRODUCTION

The main purpose of the Organization for Security and Cooperation in Europe (OSCE), participating in various programs of regional integration, is to promote trade and deepen economic cooperation. A good example of regional economic integration is the European Union established in 1951 through the creation of Europe's "Steel and coal" Commonwealth by six states (Belgium, West Germany, France, Italy, Luxembourg and the Netherlands). This first step was followed by another initiative, Rome Convention of 1957, which founded the European Economic Community. The aim of the founders of the European integration process was its use of economic cooperation to achieve reconciliation and political stability in the aftermath of the World War II. They also shared common fundamental values in terms of democracy, political and economic freedoms and rights.

The reduction of tariff and non-tariff trade barriers between EU member states and subsequent abolition contributed to the expansion of their economy and, consequently, establishing a high level of living in these countries. The European Integration project was transformed into the Union of 25 European countries. By the end of the second decade of the 21st century, it is expected to put a large part of Europe into a unified economic space that will share common vision and policy. In addition, in accordance with the concept of "New Neighborhood" developed to strengthen ties with non-member countries in the east and west, other countries are preparing to join the EU in the next stages. The process that started (experts' conclusions) can not be hindered by sudden withdrawal of the UK.

The goal of the European Economic Community was to form a common market between six member states, its ground was the so-called "Four Freedom": free movement of goods and services, capital and persons, as well as the integration of the European Atomic Energy Community was created to merge non-military nuclear resources of member states. From the newly independent countries, Georgia belongs to the number of post-Soviet countries that strengthen reinforced political independence and try to solve the economic problem. Unlike the Baltic States, Georgia and Ukraine, where there are quite significant developments, there are many challenges ahead.

II. GENERAL ANALYSIS

The modern world economy is a complex system of close interdependence between countries. Obtaining political independence in coexistence in this system, unfortunately, does not mean in reality "full economic

independence" that means achieving "self-sustaining" is rarely the goal of the authorities and politicians, unless we don't count the few areas, such as energy and tourism. Import of basic products of food from the neighboring countries as well as the daily consumption of goods for the development of tourism is given strategic importance.

Like Georgia, newly independent countries are trying to adapt to the situation in which they appeared after allocation from a much larger economic unit. In our case, the results were revealed in the loss of markets and investments in the development of industry, followed by high levels of unemployment and extreme poverty. The study of individual aspects of these problems is devoted to the work of many scholars (Archvadze, 2010; Baratashvili, Kechbaia and Glonti, 2012; Tavartkiladze, 2004; Tetrushvili, 1999; Meskhia, 2000).

In Georgia and other countries of transition, market development and attraction of investments are of great importance for economic development. This main goal must be achieved in the world of growing competitiveness. Therefore, in determining economic policy, we need to develop strategies in which the issue of competitiveness is also considered. In the world there are countries that are generally considered to be less competitive in terms of unfavorable geographical location or safety or who do not have the ability to participate in the world economy. Georgia is not a part of this category, but if we start to analyze issues related to geography and security, it may lead to some interesting conclusions about the economic development strategy.

Scientific research on the competitiveness of the country is often based on concepts such as "Absolute and Comparative Benefits". This means that the country can have some kind of advantages over others. It can also be said that if the country can develop such kind of activities that are less competitive, the better it is. Although Georgia is not a big country for foreign investments, it is possible to identify the country's competitive advantage and determine its potential for the country's welfare. Geography of Georgia and its Natural Resources - Fossil deposits are an unchanging factor that is characteristic only to it, and the proper use of these factors as an advantage is ultimately determining the prospects of economic development of the country.

The economic future of Georgia depends largely on the fact that it is a "transit country". Of course this is often mentioned, however, such explanation may require more detailed analysis. Obviously, this means promoting transit activities on the territory of Georgia, but taking into consideration certain circumstances, it can also mean to develop its exports if it is possible to convince the investors, that in terms of the whole region and the world consumer market, it is better to invest in Georgia. Successful achievement in this direction, in turn, depends on effective policy implementation in two fields: more active cooperation with neighboring countries and infrastructure improvement. As far as cooperation is concerned, the closest business ties between the South Caucasus region, Russia and Turkey can be still named as priority, this should include improvement and simplification of customs inspections and other successful measures aimed at encouraging real trade, from which place it comes, and restoration of large transport routes abandoned for a time. Modernization of modern transport customs-check points has been successfully performed at some borders, and implementation of these steps requires significant changes in political and diplomatic relations. This is a recognized fact, but we believe that in the short term it is advisable to select the "best efforts" tactics that will be transformed into long-term policy.

From the partnership and cooperation agreement on deepening business relations between Countries, we can outline three interconnections:

1. For business relations with other countries such as neighboring countries in the South Caucasus, which are actively engaged in the implementation of the partnership and cooperation agreement, harmonization will undoubtedly bring benefit in direct communication, where it is obvious that trade and transit will be a priority. In addition, it is possible to coordinate the relevant legislative programs of the countries. We also need to remember that all three countries have different natural geographical advantages, as well as economic traditions and connections that combine, even informally, may not produce positive results, but it seems to be very difficult to achieve.

2. The Agreement on Partnership and Cooperation with Russia, Turkey and Iran should be considered in the context of the broader action, as a means of facilitating transition to modernization and market economy by one of the key conditions in terms of the current demographic situation in Georgia and strict control over it. This does not require a detailed assessment of the compliance level achieved in accordance with the partnership and cooperation agreement, but also focuses more on the sectors that will achieve Georgia's progress. In particular, Georgia will have the opportunity to deepen relations to countries with larger but still developing economies, that are already trading partners.

3. In relationship with economically developed countries, and of course, in relations with the EU, it can provide a legislative and regulatory regime where investors will feel comfortable. For example, if there is an appropriate and effective legislative base in employment and environmental protection, as well as in protection of intellectual property rights and standards, a potential partner will be able to work without any risks for his reputation and property. In other words, it is obliged to mutually agree on the individual regulatory regime with the country's government, which, in fact, only the largest partners have this opportunity, in other words, modernization is not simply a luxury for the countries that have a goal of joining the EU, but it is essential for integrating any country into the modern world economy.

Georgia should undertake an active open borders policy, which envisages formation of relevant regulatory-procedural and management structures, as well as supporting measures aimed at minimizing transit operations costs to alternate routes. The achievement of this goal is significantly promoted by the activities implemented within the framework of the EU TRASECA initiative, involving the countries of the South Caucasus, Black Sea and Caspian region. At the same time, Georgia should ensure the security of the borders not only for protecting its own population, but not to allow negative influence of smuggling and counterfeiting on honest entrepreneurial efforts. Taking into account the geographical location of Georgia is quite problematic, however, it is obvious that coordinating the activities of the security and customs services is one of the most important factors for successful results.

As for recommendations. All railway and land roads that have been used in the past must be assessed in the political context. Works that are still in the process of rehabilitating these roads are becoming more vulnerable and include both practical (civil construction) and political-diplomatic initiatives. The construction of a highway connecting east and west regions is successfully undergoing, which besides transportation of oil and gas from the Caspian basin, along with the increase of economic activity, makes it possible to transport many types of other goods by land. In this sense, the location of the markets is also important. In the case of oil and natural gas, there are vehicles to cover large distances and their use is justified in production. But where the volume of trading flows and individual transportation is not so big, it is necessary to carry out detailed analysis. For example, the potential of South Russian and Ukrainian markets, especially for existing and future Georgian export products, is quite large, and the East Turkey market is less, and in this direction, investing in expensive infrastructure may still be justified. As for the potential trade with the European Union, where certain privileges are allowed, but the market is not yet used, there are quite specific technical issues to be solved, since this market is far from Georgia.

Advantages should be given a broader definition of "economic infrastructure" that includes a variety of investments in the following areas: Secure environment, improved and reliable energy generation, telecommunication systems, availability of information, information technology services and staff training. Georgia should, in fact, create a facilitating environment not only on the level of legislation and regulation, but in terms of actual action of laws.

As a result of increase of trade volume appear advantages, to some extent, thanks to the countries that "they do what is best done", although there are many things to be considered here. This analysis is presented as a theoretical and practical perspective.

Whether to cover the complex trade and investment relations in a slightly narrower context, it is important to review the results as an absolute implication, as well as the cost of creating the infrastructure. Therefore, the following question arises: how can we be sure that investments will contribute to infrastructure or will actually stimulate trade where it does not exist at all? To what extent can the estimated cost of expenses be achieved? In the end, there are many examples of ambitious and "prestigious" infrastructure projects in the world: Motorways, railways, harbors, bridges and port-terminals, which have not yet been negligible or have any economic results. In the case of Georgia, the infrastructure quality is quite low, if investments in the future are intentionally implemented, some positive results are expected and investments in this direction will encourage trade that is currently hindered.

It should be noted that in the financial terms, The advantages of active development of the role of increased trade volume and transit country can be divided more directly and indirectly or as "multiplier / extra" effect.

As a result of the implementation of the Baku-Tbilisi-Ceyhan Pipeline project, direct financial benefits for Georgia have certainly contributed to the growth of the country's income, but in reality it has not been able to find a proper reflection on the living standards of the population. All such investments and such measures grant regional importance to the overall efforts to revive the economy of Georgia as a "multiplier / additional" effect.

Based on the above mentioned, the advantages that Georgia can gain as a result of establishing more regional cooperation and regional infrastructure, it will be greatly dependent on the possibility of developing trade with Georgian products and it will have a real impact on the prospects of GDP growth, which is a prerequisite for the rapid development of the Georgian economy. Additionally, the increase in transit infrastructure will result in additional sector of private sector services, such as: Provision of fuel supply, maintenance, public utility and retail trade, which will promote local revenues as a "multiplier / additional" effect, but in the light of these events, it will be less effective for sustainable economic development of the country. Therefore, today like never before, Georgia needs a science-based short-term and long-term state economic programs, practical implementation of strategically important economic projects of sectoral directions in accordance with the concept and program developed for the rapid social and economic development of Georgia and the welfare of the population. For this purpose, the "new economic constitution of the country building", in which the "accelerator" of the financial flows proves: On the background of the transparency of the state's commercial business activity, how to increase the country's monetary incomes and how to develop sectoral economy, In the shortest possible time how to increase the state budget and how to create a large

number of jobs, how to increase the population's capacity and how to achieve the country's well-being, which will be the foundation for a united, strong, democratic state, with peaceful regional economic space.

III. CONCLUSION

Based on the macroeconomicly grounded research, it is of great importance to the real possibilities of increasing the competitiveness of the country through the use of mechanisms for involving capitalization technologies and world financial resources of the Georgian water resources fund, the role of the state is expressed through the use of regulatory leverage to create an environment that facilitates economic functioning, materialization of the state supplies of drinking groundwater as a vital destination for the human being, on international stock exchanges as securities: In the form of shares, bonds and bills, by gaining the GDP's increased capacity as a result of industrial production, creates an acceptable financial instrument with its growth prospects.

This model gives real material values to maximize the highest level of bank guarantees of the world importance, in order to increase unpaid monetary resources, financing strategic importance of sectoral economic projects, for the benefit of the country and the people. [Giorgadze, 2003, 2005, 2008, 2016; Giorgadze, Tsikhelashvili, Chkheidze, Chichinadze: 2015]

Thus, at the modern stage of globalization Georgia should become one of the successful exporters of natural drinking water and finished products, in the world market, as a result, reinsured funds in sectoral economic projects will be reflected in the country's monetary income, as a "multiplier / extra" effect and it is a guarantee of rebuilding the country and it's new economic constitution.

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