

# CHALLENGES OF GLOBALIZATION PROCESSES ON GEORGIA'S EXAMPLE

Natia Bejanidze, PhD student

Batumi State Maritime Academy, 6010, Georgia, 53, Rustaveli Street, Batumi, 6010, Georgia,  
+99577220446, natiabejanidze@bk.ru

**Abstract:** The world is in the epoch of the significant changes, which is linked with an arrangement of a new type of the global economy. Its distinguishing features are presented with the main types of economic activity: production and consumption of the products, distribution of information and technologies, management, functioning of which is implemented in the global scale.<sup>1</sup>

Many scientific and practical economists pay their attention and research the changes, caused by the globalization processes, their positive and negative sides, tendencies, challenges, differences in ideas. During discussion of the named process, it is necessary to note the roots of its creation and development.

The modern world economy is really impacted by significant tendencies aimed to the changes. Simultaneously with the development of the world globalization processes, the significant processes of changes also take place in our country. Georgia became more open, democratic and integrated into the world processes, but Georgia, as well as other countries has one and the same problem – the use of advantages of globalization processes and at the same time, decrease of disadvantages and risks of the named processes.

**Keywords:** Challenges of Globalization Processes, unemployment, GDP, foreign direct investments, foreign trade, global competitiveness

## 1. Introduction

Globalization is discussed by the experts of the International Monetary Fund as the increase of integration of the world countries. It is stipulated by exchange of the national trade and fiscal flows, technologies and work force.<sup>2</sup>

The characteristic features of globalization are presented with the following ones:

---

<sup>1</sup> . . . . . , . . . . . , 2000. . 105.

<sup>2</sup> . . . . . [ . . . . . ]. – . . . . . : // <http://www.imf.org/external/np/exr/ib/2000/rus/041200r.htm>

- Internationalization, where globalization means strengthening of the contacts between the states;
- Liberalization, which is displayed in open integrated economy and free movement of the population;
- Universalization – a broad world scale spread of material and spiritual values;
- Westernization – supremacy of the western civilization;
- Deterritorialization – geographical position, distance and borders lose their initial importance.<sup>3</sup>

The world economy globalization is one of the most important tendencies of the country development. Its actuality is displayed in the fact that it seriously impacts the world society not only in social-economic issues, but also in technologies and ecology development. Their consideration has practical and also a great methodological importance, because it gives possibility to develop the whole country. Nowadays, all countries have one and the same problem – usage of advantages of globalization and decrease of potential related risks and disadvantages.

## **2. The main text**

The problems related with the global system of the world economy are presented with the conflict of the interests of the world society. It is related with natural-climatic and labor resources.

The tendencies, aimed at the changes, are clearly displayed in the modern world economy, completely new competition situation has been also established, aimed at finding resources of the all types, the methods of competition has also been changed simultaneously with increasing of the social and political sanctions causing losses of accommodation and working places.

Nowadays, the major part of the world population prefers the modern scientific achievements, innovations and dynamic development. People want to break the national barriers and make the whole planet as their one global home.

Highly developed industrial countries have the most benefits participating in the globalization processes. Decreasing the consumptions of industry, they have possibility to direct the profit flows to the most prospective products with high additional value, having at

---

<sup>3</sup><https://geocodna.wordpress.com/2013/10/10/%E1%83%92%E1%83%9A%E1%83%9D%E1%83%91%E1%83%90%E1%83%9A%E1%83%98%E1%83%96%E1%83%90%E1%83%AA%E1%83%98%E1%83%90/>]

the same time transferred low technological industries in the underdeveloped countries. But, at the same time, highly developed industrial countries may also be damaged by globalization processes in case if they are not ready for the challenges rising unemployment and instability of fiscal market.

Simultaneously with development of globalization processes, Georgia became more open, democratic and integrated into the world processes. The borders of different countries became open for our citizens, establishment of business relations, political, legal and cultural relations with the foreigners also became possible. But at the same time, the world society faces many difficulties – violation of the countries' territorial integrity, poverty, arrests, ecological threats, employment problems, also familiar to our country. Such problems are related with the interests with the world resources management, disbalance of the branches development differentiation of the cultural and legal conditions, and many other factors. Taking into account the method approach, it is better to decide this issue not on the idea level, but on the basis of the analysis of the challenges, sent by world globalization process.

Time by time, economic crises impede the global economy. The temps of economy development were low in 2015, caused with the problems of underdeveloped countries. For example, economic rise of Europe and Central Asia in 2015 was decreased to 2,1 %, taking into account 2,3% in 2014. The major reason was related with the rapid decrease of the oil cost, Ukrainian crisis and sanctions towards Russia. The experts of the World Bank expect only tiny rising of the data in 2016.<sup>4</sup>

It should be noted that 2015 was not so successful for economic rise of our country. After 4.8 % rise of 2014, 2015 resulted in falling tendency of 2,5%. The main reason was lari devaluation. Dollar strengthening also made a negative impact on our country's economy. We mean that the part of legal persons had obligations in dollars and the price of their obligations rised. Naturally such condition damaged tier businesses and negatively impacted the country's economy.

In globalization conditions the major challenge of our country is unemployment and consequently related problems of poverty and social dis-balance. Unemployment is a critically important burden for economy of any country and is displayed in economic, psychological and social costs. An unemployed person is the labor force, which in case of its rational use may provide additional products. Developed countries provide compensation for unemployment, creating additional problems for economy. The unemployed persons are not

---

<sup>4</sup> <http://www.radiotavisupleba.ge/a/sakartvelos-ekonomikuri-zrda/27474134.html>

supported by compensation in our country. That is way the main burden impacts the unemployed persons. The competence and skills of the unemployed persons decrease and they lose motivation to work.

The research provided by The National Democratic Institute shows that the major part of the interwees name working places, inflation and poverty as “the most important national issues”. 66% of them consider that working places are the most important issue, 43% name prices’ rising/inflation, 39% name poverty. Territorial integrity took the fourth place by 27 %, salary by 17%, healthcare by 17 and relations with Russia – by 12%. This is the first case, when territorial integrity could not reach the first three places.<sup>5</sup>

Globalization is a challenge, it is a way to expand foreign economic relations among states. For Georgia it’s extremely important to develop and improve relationship of the region with other countries that will contribute to the improvement of political cooperation, reinforcement of security and stability, as well as enhancement of transport, energy and trade-economic relations. Such relations have high potential of efficiency. For example, export and import growth in GDP will reflect the increased efficiency of the economy.

International economic relations represent the system of multilevel communications in the XXI century, which is based on international agreements and negotiations. The absence of International economic relations among regions and countries point their economic incompetence and vice versa. Georgia has made a big progress in this direction. The Free Trade Agreement (DCFTA) with the EU, which came into force in 2014, will help Georgia have access to the EU internal market, will promote the interests of investors and create a favorable business environment in the country. The above mentioned agreement represent the real chance of economic integration with the EU.

Increasing the amount of foreign trade and decreasing negative trade balance is one of the major challenges of Georgian economy. In response to this challenge, the government carried out the reform of tariff policy and technical regulation field. As a result our country has one of the most liberal foreign trade policy throughout the world.<sup>6</sup>

Despite the steps taken, the foreign-trade relations are characterized by a number of problems in Georgia. According to the National Statistics Office data, the foreign trade turnover of Georgia amounted 9 933 million US dollars in 2015, which is 13% less than the previous year. Exports decreased by 23% and amounted 2 204 million US dollars, which is

---

<sup>5</sup> <http://sputnik-georgia.com/politics/20150511/42545.html>

<sup>6</sup> <http://www.economy.ge/ge/economic-sectors> 20/07/2016

the lowest figure since 2011. Imports decreased by 10% and amounted 7 729 million USD. The trade deficit amounted -5 525 million USD and 56% of trade turnover. The main factor for this dynamics stays unstable GEL exchange rate. Almost all the articles of the balance of payments have decreased this year. Remittances, which were important sources of foreign exchange, decreased by 29%. Thus, the changes of GEL exchange rate influenced greatly on import reduction, which significantly reduced the demand for imports.

One of the challenges is also the development of agriculture. More than half of the country's population are employed in agriculture. However, the value added by this sector, the sector's productivity and profitability levels are low, which prevent the growth of competitiveness of the sector, both in local and international markets. The low level of agriculture development impacts on rural poverty and development. Thus, the priority of rural development will eradicate social problems and promote economic development.

The role of logistics is very important in the development of Georgian economy. The development of logistics infrastructure is crucial for the revival of the most promising sectors, such as agriculture, manufacturing, trade and tourism. Georgia represents natural logistics hub of the Caucasus and Central Asia for its favorable geographic location. However, poor infrastructure and low competitiveness of the transport system do not allow the use of this potential. The main problem of the existing transport infrastructure is the fact that it does not have a network effect. Synergies are not utilized to transport cargo because of lack infrastructure for connecting different kinds of transports. Systematic development of transport and logistics infrastructure is essential, which will make the transport corridor competitive running through Georgia and give the country an efficient transport corridor image.<sup>7</sup>

One of the Globalization challenges is also deepening of specialization and diversification of countries' economy that is forming the modern planetary global industry structure. An advantage of the economic development is that the diversified economy produces the range of goods and services that allow to overcome crisis in the industry structures. The economy of Georgia depends on import and isn't diversified. One of the reasons interfering diversification of production and service sphere of the industry is the strategies imperfection in the country's regions.

---

<sup>7</sup> <http://www.interpressnews.ge/>

One of the main Globalization challenges is the growth of investments in human resources development, and also fixed capital, ecology, social infrastructure and improvement of quality of life of the population.

In the last decade of economic growth in Georgia was generally increased amount of direct foreign investments, also increase of debts and large volume of money transfers of migrants. These factors added to the sharp growth of bank crediting, as a result to the country growth of the internal demand it causes the increase of import of the country. Thus, there was inadequate economic growth. There were not created a new workplaces, connected with new and high-tech industries development that significantly slowed down economic competitiveness of the country. It is reasonable for Georgia direct foreign investments in several areas, that are oriented on large-scale production of export products and profit outside the country. The direct foreign investments in priority sectors of economy will increase competitiveness of the country and its economic growth.

Economic efficiency depends on the effective capital investments in training of highly qualified personnel. In this direction it significantly decrease the efficiency of the economy, their community and the integration problems into the world economy.

Competitive advantages of Georgian economic sectors and products developed in different markets on behalf of cheap labor force, high labor intensity, relatively cheap energy, labor conditions in the economy. Today all these factors are in the past. For this reason the high level of competence of a labor power with high intellectual abilities (especially managers), their strong motivation, relation with social, economic and ecological efficiency. Not less complex problem for business in the global economy, represent considerable capital investments for growth and efficiency of its use. Innovative technologies always increase the quality of the product and its competitiveness. Thus, without investment, especially in new and innovative type of capital, it is impossible to get a successful solution of public reproduction. Refusal of the innovative developments, nowadays can cause a threat to the national economy. Concerning innovative development, integration of science, production and quality of service we lag behind developed countries in the field of technology, quality management and motivation of personnel.

One of the main challenges of globalization is formation of the global competitiveness. World Market Research and defining demand, (including prospects) and the formation of their own competitive advantages - represents the main response to the challenge.

The results of research show that in Georgia for the formation of competitive advantages of the economy it is necessary to use new technologies, to create strong financial and moral motivations and increase the competitiveness in all sectors. Difficulties in achieving these purposes often are caused by inadequate management of their decision, poor relation with the production science, nonoptimal investments into human resources, in particular - increase in competence of the latest technologies and development of infrastructure.

Development of infrastructure is one of the main objectives of Georgian economy, on which should be based success achieved from other economic activities. Infrastructure represents a basis which will lead to increase in economic appeal of the country, internal, regional and international integration, residential and improvement of investment climate.

Modern infrastructures of priority sectors of the country –such as power, agricultural industry, tourism and industry –are the means of development and growth of competitiveness.<sup>8</sup>

### **Conclusion**

Despite the challenges, globalization has potential to bring the country's economy the appropriate advantages. The most important is to use the advantages, provided by natural factors. Georgia is a small country, reach with resource potential and good natural-climatic resources. Acquisition of transit, tourist and agrarian sectors will provide new working places, rising living level and stable economic development.

In order to develop and to rise the economy of the country in conditions of globalization, it is necessary to implement the following measures:

- The effective use of the country's geopolitical, geographic, natural-climatic potential resources, because they present the background of the country's future economic development;
- The use of possibilities of economic integration and expand of the products on the world market, taking into account the marketing analysis;
- Development of high priority branches, giving possibility to find competitive advantages on the international labor market;
- Strengthening innovations in country's social-economic affairs;

---

<sup>8</sup> <http://progressive.ge/>

- Research of scientifically beneficial direction with their potential development;
- Activation of state (as the market subject) support of the national security policy strengthening.

Macroeconomic stability is the background of the economic development. The reasonable fiscal and monetary policy should be aimed at keeping the stable macroeconomic conditions, rising confidence towards the country's economy. The noted will influence the short and long-term business decisions finally rising employment and economy.

Thus, economy development in near future should be based on the country's macroeconomic stability, foreign investments promotion and support. Scientific analysis, rising of innovation, education and qualification level play the most significant role in provision of the above stated goals.

### References

1. აბრალავა ა. ეროვნული ეკონომიკა და გლობალიზაცია. თბილისი. 2005.
2. Кастельс М. Информационная эпоха: экономика, общество и культура. М., 2000. С. 105.
3. Потенциал и опасности глобализации. Тематический обзор. [Электронный ресурс]. – Режим доступа : // <http://www.imf.org/external/np/exr/ib/2000/rus/041200r.htm>
4. [http://www.geostat.ge/?action=page&p\\_id=32&lang=eng](http://www.geostat.ge/?action=page&p_id=32&lang=eng)
5. <https://geocodna.wordpress.com/2013/10/10/%E1%83%92%E1%83%9A%E1%83%9D%E1%83%91%E1%83%90%E1%83%9A%E1%83%98%E1%83%96%E1%83%90%E1%83%AA%E1%83%98%E1%83%90/>]
6. <http://www.economy.ge/>.
7. <http://www.radiotavisupleba.ge/a/sakartvelos-ekonomikuri-zrda/27474134.html>
8. <http://sputnik-georgia.com/politics/20150511/42545.html>
9. <http://www.economy.ge/ge/economic-sectors> 20/07/2016
10. <http://www.interpressnews.ge/>
11. <https://geocodna.wordpress.com/2013/10/10/%E1%83%92%E1%83%9A%E1%83%9D%E1%83%91%E1%83%90%E1%83%9A%E1%83%98%E1%83%96%E1%83%90%E1%83%AA%E1%83%98%E1%83%90/>]
12. <http://progressive.ge/>