

INDICATORS OF THE GROWING COMPETITIVENESS OF THE GEORGIAN PRODUCTION ON THE EUROPEAN MARKET AND ANTICIPATED TRENDS

Abstract. The aim of the paper is analyzing the statistic indexes of penetrating the products manufactured in Georgia into European market

In the article there were applied the qualitative and quantitative data analysis methods, among them statistic data processing, data grouping and data analysis methods.

The scientific purpose of paper is to find ways of penetration in the European market of the Georgian products and to define the expected tendencies in this direction.

According to the official statistics the share of exported products from Georgia into European countries is increasing, their commodity structure is enhancing, the indexes of keeping on the sanitary and phyto-sanitary norms are improving, the number of the prophylactic measures having been taken in regard to food safety is growing, but in Georgia the production of healthy products is still problematic. The part of agricultural products is of high-risk. Hence, so far, the part of Georgian products fails to meet the requirements of the market of European Union.

Obviously, as a result of forming the deep and comprehensive free trade space between Georgia and European Union the bilateral trade will be more strengthened. And this will provide with the increase of Georgian export. That's why the special emphasis should be focused on the improvement of the quality of Georgian production, as the food safety is one of the necessary conditions for the protection of the universally acknowledged human rights, health and life and accordingly it means protecting the risks caused by food consumption. That's why it is necessary to adapt the complex approach to this issue which will comprise all the stages and aspects of production.

Keywords: food, safety, quality, analysis, methods

JEL classification: C19

Formulas: 0; fig.: 3, tabl.: 0, bibl.: 18

*Абесадзе Н.
Джавахишвили И.
Тбіліський Державний Університет; Грузія*

ПОКАЗНИКИ ЗРОСТАННЯ КОНКУРЕНТОСПРОМОЖНОСТІ ГРУЗИНСЬКОЇ ПРОДУКЦІЇ НА ЄВРОПЕЙСЬКОМУ РИНКУ ТА ОЧІКУВАНІ ТЕНДЕНЦІЇ

Анотація. Метою статті є аналіз статистичних показників проникнення продукції, виробленої в Грузії на європейський ринок У статті були застосовані якісні і кількісні методи аналізу даних, в тому числі методи статистичної обробки даних, групування даних та методів аналізу даних. В роботі розглянуті шляхи проникнення на ринок грузинської продукції та визначені очікувані тенденції у цьому напрямку.

Ключові слова: їжа, безпека, якість, аналіз, методи

Формул: 0; рис.: 3, табл.: 0, бібл.: 18

*Абесадзе Н.
Джавахишвили И.
Тбилисский Государственный Университет; Грузия*

ПОКАЗАТЕЛИ РОСТА КОНКУРЕНТОСПОСОБНОСТИ ГРУЗИНСКОЙ ПРОДУКЦИИ НА ЕВРОПЕЙСКОМ РЫНКЕ И ОЖИДАЕМЫЕ ТЕНДЕНЦИИ

Аннотация. Целью статьи является анализ статистических показателей проникновения продукции, произведенной в Грузии на европейский рынок. В статье были применены качественные и количественные методы анализа данных, в том числе методы

статистической обработки данных, группировка данных и методов анализа данных. В работе рассмотрены пути проникновения на рынок грузинской продукции и определить ожидаемые тенденции в этом направлении.

Ключевые слова: еда, безопасность, качество, анализ, методы
Формул: 0; рис.: 3, табл.: 0, библи.: 18

Introduction. Today, when the integration with the European Union is among the foreign interests of Georgia, the guarantee for strengthening the economy of Georgia can be the sharing of the experience of the partner countries in the fields of economic integration and economic reforms. Besides, it is necessary to share the experience between the business circles of Georgia and the EU in order to approximate the EU regulations.

It is clear that on the background of the ongoing integration processes, the impact of the economies of the different countries on one another will be stronger. Therefore, studying the foreign economic state and developmental trends of the country and calculating the forecasts on its basis is very important. The events occurring during the intense formation of the deep and comprehensive trade area are analyzed by using the quantitative methods of the study to evaluate the national economy and the ongoing and future priorities and trends are identified on its basis.

This is why, under the conditions for modern level and scales of deepening the integrating processes, it is important to make the correct evaluation of the economic relations having been developed between Georgia and European Union. Among them there should be noted the trade in food products, the gradual abolition of the import tariffs, the simplification of customs and trade rules, obeying the sanitary and phyto-sanitary rules and etc., which have been reflected in the agreement on “The deep and comprehensive free trade service”. This agreement allows Georgia to obtain gradually the right to free transfer of the products, service and capital to the inner market of European Union. Obviously, one of the main priorities of the services at the inner market of European Union is food safety, which is one of the conditions for protecting the universally recognized rights, health and life of people and correspondingly, it means protecting the risks that could be caused by food consumption. It is necessary to focus on these issues, as in Georgia there hasn't been attained manufacturing the harmless for health products yet. The part of the products of local and moreover, of foreign manufacturing existing at the

Georgian market does not meet the standards. In this regard, not only Georgian consumers are protected but the main part of the Georgian products cannot have the potential for export to European market at all. (N. Abesadze, 2015)

The issues of penetrating of Georgian products into the European market has been the subject of a number of scientists' researches, among them there should be noted V. Papava, A. Silagadze, T. Atanelishvili, N. Paresashvili, E. Lekashvili, P. Koguashvili, R. Purkaradze, O. Abesadze, and others, but at the modern stage it is especially important to make the statistic – economic analysis of these processes, to reveal the real tendencies and to establish the main regularities of production and realization of the environmentally friendly products. That's why the main goal of the paper is to show the statistic picture of penetrating of the products manufactured in Georgia into the European market and to analyze the indexes.

Purpose of the article The aim of the paper is analyzing the statistic indexes of penetrating the products manufactured in Georgia into European market

Scientific aim: The scientific purpose of paper is to find ways of penetration in the European market of the Georgian products and to define the expected tendencies in this direction.

Methodology/methods. The study used general and special statistical methods: survey, gathering and grouping and analysis, in particular, methods of relative and average values, dynamic series, graphic representation, etc. For the forecast, simple methods of trend identification and forecasting were used: average absolute growth and average annual growing rate and linear function as an analytical method. Out of complex methods, we used auto-regression and sliding average by adding a trend component to ARIMA-type model gained by using computer software EvIEWS-6. The smoothing and forecasting showed that in our case, the most accurate was the linear function. Consequently, the predictive values given in the article were calculated by using a linear function.

Indices of competitiveness of the Georgian production

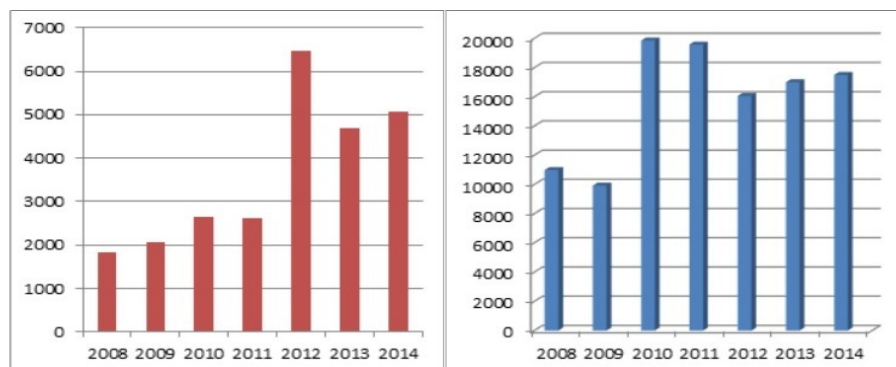
In 2006 there was established the national agency of food products. Exactly since that time the official approach to food safety has been changed: the overall responsibility for the quality and safety of food was assumed by the food producing business – operators instead of the state. It's worth noting that the scheduled inspection had not been carried out before 2010. The inspection of the food producing business – operators was renewed only in 2010. This is the inevitable and necessary process as nowadays widening the assortment of products is incessantly taking place, the character of nutrition is changing; there is being introduced the new technological processes of production, storage and realization, which in turn is connected to the sharp increase of the number of applied chemical compounds of food products. (Nino Abesadze, 2015)

The intensive development of agriculture and industry has led us to the environmental contamination resulting from the technical waste. At present the number of pesticides of the biological and chemical origin having been used in the agriculture has reached several hundred, they are often contained in food products in trace quantities. According to the data of the National Academy of Science of the USA 90% of applied fungicides, 60% of herbicides and 30% of insecticides are characterized by the carcinogenic qualities. 262 out of 400 pesticides used in agriculture have mutagenic features. The results of the researches having been conducted clearly show how much higher the food contamination resulting from toxic chemical substances, biological agents and micro–organisms is. Since 1990 up today the quantity of radionuclides contained in food products has increased by 5–20 times, and that of nitrates – 5 times.

In order to solve the problem of food safety, first of all, there should be fixed the issue of producing the ecologically friendly raw materials. This is the global issue and not only time but finances as well are required so as to tackle it.

The current possibilities of inspection of the food business operators are very low in Georgia: by the beginning of 2014 the scheduled inspection had been carried out only in 1.3% of the registered food business operators (FBO), which presented over 659 inspections whereas there have been registered 50, 000 business operators. 33% of inspected business operators were inappropriate to the legislation of Georgia because of which they were fined. About 1% (6 business –operators) were suspended the production process because of the existence of the critical inconsistency. Among the inspected enterprises 37 of them were animal slaughterhouses, in 31% of which there was discovered inconsistency. In 2014 there were selected 2 536 business operators for the planned inspection; there were evaluated 502 enterprises for the unscheduled inspection. (Otar Abesadze, 2015)

Out of 3600 samples stipulated by the state program of control according to the appropriate rule there were taken and brought to laboratories 2911 samples of food (among them drinking water), the quality of which, according to the results of the laboratory research on the quality parameters, 837 (28, 8%) samples did not meet the stated requirements. 80% of the shortcomings, which had been revealed by the results of the laboratory research, were the ones of micro–biological indicators. In 2014 there were taken the significant measures in the veterinary field: there were conducted the prophylactic vaccination against the Turkish, anthrax rabies; within the routine Cerro –monitoring of brucellosis there were taken blood tests and conducted the identification of 108 669 bovine animals and so on. Some measures were taken in the field of phyto–sanitary. In 2014 there were registered 124 pesticides and 223 of them are still in the process of registration, 32 preparations were removed from the registration due to the end of the term. 5 250 license for product import subordinated to the veterinary control and 1 020 license for the product import subordinated to the phyto–sanitary control were issued. (Nino Abesadze, 2015) At the same time, it's worth noting that the breaches of labelling rules hadn't been punished in Georgia for years. Only in the first quarter of 2014 there were fixed 51 cases of breaches of labelling and the business operators were fined 400 GEL. The situation which had been established in the field of grocery impacted on the indicators of growth of the number of illnesses. Since 2014 there has started the growth of incidences of foodborne diseases, which unfortunately has been going on up today. The number of diarrhea diseases is being increased, which are the perfect indicators of food safety (see Fig. 1, see Fig. 2).



Source: Author's own compilation based on the materials of the National Statistics Office of Georgia
 Fig. 1. Foodborne intoxications Fig. 2. Diarrhea and Gastroenteritis

Food safety and protecting the phyto-sanitarian regulations are being attached great importance especially today as the space of economic integration into European Union is systematically increasing, also the share of the member countries of European Union in export and import is increasing and the food products take up more space in the import products.

In 2014, the foreign trade turnover of Georgia between the countries of European Union made US \$ 2990 million, out of this the export made US \$621 million, and the import –US \$ 2369 million. The share of these countries in the foreign trade turnover of Georgia made 26%, among them 22% was made in export and 28% – in import, 30% of the trade deficit was accounted for the member countries of European Union. (Papava Vladimir 2015).

In 2014 Georgia implemented the trade operations with 28 countries of European Union, during the reporting year there was noted the negative trade balance of US \$ 1 748 550, 3 thousand with all the countries. The following countries – Bulgaria, Italy, Spain, Germany and Lithuania, have been distinguished for the highest index of turnover, as for the import the absolute leader here is Germany followed by Romania, Italy, Bulgaria, the Netherlands and so on. (Abesadze Nino 2014)

The share of the main top-ten export countries of European Union makes 19, 6% of the entire export, 90% of export is to European Union and 18, 7% of the trade turnover with the countries of European Union (It's 4, 9% of the entire trade turnover) The leader of the top- ten is Bulgaria, then come Italy and Spain.

The major exported products to the countries of European Union are copper ore and concentrates, walnut, fresh or dry grapes, natural wines, mineral and fresh water, ferroalloys and so on. In 2014 among the imported products there exceeded oil and oil products, remedies, cars, wheat and muslin, cigars, cigarillo and cigarettes, tobacco and its constituents and others. (Paresashvili Nino 2013)

The leader of the ten major import countries to European Union is Germany, the share of which makes 19, 7% of the entire export to European Union, it is followed by Romania and Italy, accordingly having got the share of 13, 1% and 9, 4%. Generally, the share of the countries of this top- ten in the entire import is 20, 4%, their share in the import to European Union makes 74%, that makes 15, 3% of the entire foreign trade turnover and 58, 7% of the foreign trade turnover between the countries of European Union.

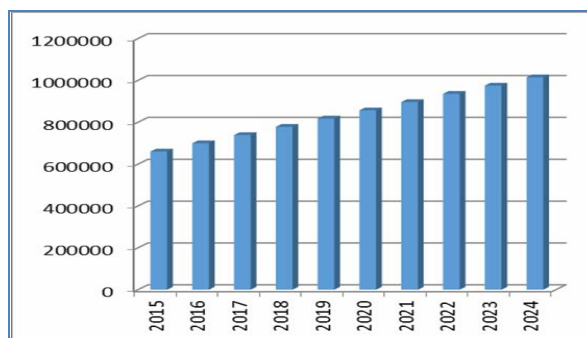
Along with the growth of export and import the interest should be taken in the anticipated indexes of the export and import to the countries of EU and the forecasts for the share of the countries of EU in the import and export. The informational base was presented as the dynamic row of export – import of 2000–2014, and there were used the simple and analytical methods for grading. When predicting the economic processes, it is necessary to apply various methods to predict the levels of the same time series, therefore, the simple methods of trend identification and forecasting were used to forecast export and import: average absolute growth and average annual growing rate and linear function as an analytical method. Out of complex methods, we used auto-regression and sliding average by adding a trend component to ARIMA-type model gained by using computer software Eviews-6. The smoothing and forecasting showed that in our case, the

most accurate was the linear function. Consequently, the predictive values given in the article were calculated by using a linear function. The forecasts of Import and Export are calculated accordingly by the equation: $y = 1224945.1 + 180032.3 t$ and $y = 256889.82 + 39085.04 t$.

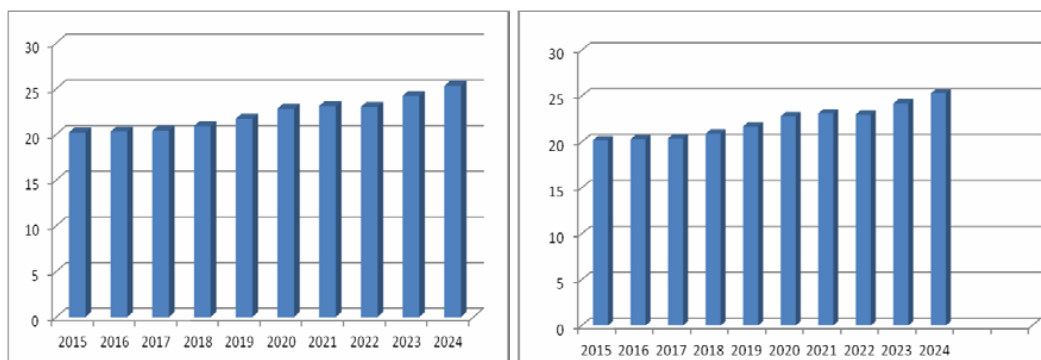
In order to calculate the accuracy of forecasts there was calculated Thiel coefficient. The difference (inconsistency) coefficient for the export turned out to be equal to 0, 22%, and for the import – 0.45, which denoted to quite a high level of the accuracy of forecasts.

According to the forecast during the future 10 years there should be expected the tendency of the systematic increase in case of both export and import to the countries of EU, in particular, by 2024 the export will have exceeded 48, 4 % than in 2014, and the import will have increased by 80, 9%. According to the forecast, there is seen the anticipation of growth of the share of the countries of EU in the export and import, specifically, in 2020 – 2024 the share of European Union in export will be maintained at the level of 25%, and in import will be increased up to 33%.

According to the forecast during the future 10 years there should be expected the tendency of the systematic increase in case of both export and import to the countries of EU, (see Fig.3) in particular, by 2024 the export will have exceeded 48, 4 % than in 2014, and the import will have increased by 80, 9%. According to the forecast, there is seen the anticipation of growth of the share of the countries of EU in the export and import, specifically, in 2020 – 2024 the share of European Union in export will be maintained at the level of 25%, and in import will be increased up to 33%. (N. Abesadze 2015).



Source: Author's own compilation based on the materials of the National Statistics Office of Georgia
Fig.3. Forecast of export of Georgia



Source: Author's own compilation based on the materials of the National Statistics Office of Georgia
Fig.4. Forecast of share of the EU's in export of Georgia Fig.5 Forecast of share of the EU's in import of Georgia.

So, the trade relationships with European Union will be strengthened and here it will be exceptionally necessary to manufacture the healthy products and protect the phyto sanitarian regulations.

It means that the major problem for Georgia is still its negative trade balance. Despite the fact that together with the import growth, export increases also, the rate of export growth is still lower. As the forecast suggests, import will exceed export by 4, 7 times. So, no increase of an export–import coverage ratio is expected. Therefore, the government of Georgia faces and will have to solve an important challenge of developing an optimal plan of the country's development and

help the revival of the domestic production in all possible ways to avoid the pessimistic forecast to realize (N. Abesadze 2015).

In conclusions, we can say that, the trade relationships with European Union will be strengthened and here it will be exceptionally necessary to manufacture the healthy products and protect the phyto-sanitarian regulations.

Conclusions

Thus, in the background of the systematic growth of the foreign trade relationships with European Union it is urgent to manufacture the harmless for health food in Georgia. Despite having taken the prophylactic, sanitary and phyto-sanitary measures, the products manufactured locally and the part of foreign products existing at Georgian market isn't in accordance with the safety standards. In this regard not only Georgian consumers are unprotected but the great part of the Georgian products cannot make the potential at the market of European Union yet.

Obviously, as a result of forming the deep and comprehensive free trade space between Georgia and European Union the bilateral trade will be more strengthened. And this will provide with the increase of Georgian export. That's why the special emphasis should be focused on the improvement of the quality of Georgian production, as the food safety is one of the necessary conditions for the protection of the universally acknowledged human rights, health and life and accordingly it means protecting the risks caused by food consumption. That's why it is necessary to adapt the complex approach to this issue which will comprise all the stages and aspects of production.

The formation of the trade system, which will be compatible with the market of European Union, will in itself be followed by increasing the attractive environment for investments, and this will promote the direct influx of foreign investments, as a result of which there will be created new jobs. All of the above mentioned will promote the simulating the expansion of economy and generally, the economic development of Georgia

References

1. Abesadze, N. & Daushvili, M (2016). Improvement of customs statistics in Georgia. *Intellectual Economics*, 10.1, 13–17.
2. Abesadze, O. (2015). The dynamics of trade relations with the EU in the background of deep and comprehensive Free Trade Area. *Collection of scientific articles: Economics and Management: Challenges and Perspectives*. Vienna, 6–11.
3. Abesadze, N. (2014). The Main Trends of Integration of Georgia into the World Economic System. *Procedia–Social and Behavioral Sciences*, 156, 166–169. Available at <http://www.sciencedirect.com/science/article/pii/S1877042814059837>
4. Abesadze, N. (2013). The methodological issues of the improvement of gender statistics of employment. *Economics and Management*. 18.1, 154–158.
5. Abesadze, N. (2015) The Statistic Indexes of Penetrating the Products Manufactured in Georgia into European Market. *Procedia–Social and Behavioral Sciences*, 213, 569–573.
6. Atanelishvili, T. (2014). Some Comparative Economic Indicators of Post-soviet States in the light of EU Association Agreement. International Scientific Conference. *Globalization and Statistics*, 29–32.
7. Lekashvili, E., & Gvelesiani, R. (2012) *Food Security Policy in Georgia*. Materials of International Scientific Conference of the Italian Association of Agricultural and Applied Economics (AIEAA), At Trento. Italy. Available at: https://www.researchgate.net/publication/258725353_Food_Security_Policy_in_Georgia
8. Koguashvili, P., & Kunchulia, T. (2011). What Must be Foreseen by the Georgia's Agricultural Strategy. *Economics and Business Journal*, 6, 57–58.
9. Silagadze, A. (2013). Priorities for the Economy of Postcommunist Georgia in the Context of the World Financial Crisis. *J. Problems of Economic Transition*. Issue: 56, 8, 3 – 16.
10. Korganashvili, L. (2014). Prospects of development of foreign economic relations of Georgia in the circumstances of globalization and regional integration. IV International Congress *Caucasus and Central Asia in Globalization Process*, 264–273.
11. Ghaghanidze, G. (2011). Export potential growth alternatives: diversification and concentration. *Economics and Business*, 3, 171–184.
12. *The issues of Euro– integration – Visegrad countries and South Caucasus* (2013)
13. *Approaching Europe– the economic and social policy in Georgia, Armenia and Azerbaijan* (2010), 15–32, 94–102.
14. Putkaradze, R. (2010). Trade and economic relations between Georgia and the EU: problems and prospects. 201–258.
15. Papava, V. (2015). *Economics of Georgia*. Tbilisi, TSU Publications, 205–222.
16. Paresashvili, N. (2013). Policy Implementation of the Eastern Partnership in Georgia. *Journal Public Policy and Administration*, 12, 4, 6–40.
17. Is the EU regional policy the source of inspiration for the countries beyond the EU? (2009), *Bulletin* 4–15.
18. Chmaladze, M. (2012). *Statistics for economics and management*, 218–233.

Received 02.03.2017

© N. Abesadze, I. Javakhishvili