

Priorities to Increase Business Competitiveness in Georgia in Terms of Globalization

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Abstract

The paper „Priorities to increase business competitiveness in Georgia in terms of globalization “, by taking into account modern trends of globalization, investigates problems of business competitiveness in Georgia and defines the priority trends for its incensement. This work analyzes competitive strategies of Georgian companies and determines key aspects of effective functioning for business structures. It is justified, that at the current stage of economic development, in order to ensure a high level of competitiveness for Georgia it has particular importance to develop an adequate market institutions and competitive relationships according to the EU requirements, increase the efficiency of Fiscal, Monetary and Currency policies, national innovation system formation and so on.

Keywords: Competitiveness, Homeland Production, European Union, Development

1. Introduction

Relevance of the work. Nowadays, the role of international financial-economic organizations and transnational companies strengthens and the role of sovereign state weakens amid the worldwide economic globalization processes (Chalafeikrishvili, 2013). Correspondingly, economic globalization provides (Chaduneli, 2013) the ways for further development as well as creates certain problems. That is why, every government has to get the maximum profit from the process of economic globalization and look for effective ways to eliminate all problems.

The process of globalization straightforwardly impacts on the development of certain state's economy. In modern reality, specific countries, in order to deal with their national economic problems, pay more attention to reinforcing foreign-economic contacts and participating in international division of labor as actively as possible.

Deriving from all afore-mentioned it is extremely important to develop and implement special scientifically proved strategy to manage and regulate business on macro as well as micro level.

In case of elaborating above mentioned strategy, basic directions how to increase the business competitiveness and how to turn them into reality have to be determined. Through achieving business competitiveness, efficiency of domestic production will be improved, country will gain competitive advantage in terms of international division of labor, as a result of producing high quality production economy of the country will be enhanced, household income will increase etc.

II. Main Text

Georgia strives to find its place among developed countries (particularly the EU countries). Every active economic agent of the country-private sector companies, state structures, civil and academic society and the majority of citizens hope that one day Georgia will become the part of the European economic integration. Although, all of them are aware of certain problems faced by our country which hampers its integration into the European economy. One of these problems include the relevance of national products with the requirements set by the free market of Europe as well as the world global market.

State strength is mainly based on the competitiveness of its producers. Economic development of the country definitely depends on the representatives of business sector; on the ways they use to improve competitive advantage. Exactly provision of competitiveness serves as the main tool for elaborating the strategy for country, region and firm development.

Object of the research. Paper aims at investigating problematic issues concerning business competitiveness.

Review of the literature. Problems set in the work are studied by Georgian as well as foreign researchers, who figure out special factors determining competitive advantage for the country, region and companies. In the context of modern trends of globalization, problems regarding the growth of competitiveness have been studied. Moreover, alternative methods for patching up existing problems have been defined. Many prominent Georgian as well as foreign scientists: A. Smith, D. Ricardo, M. Porter, J. Stiglitz, E. Baratashvili, B. Gechbaia, V. Glonti, E. Kharaishvili, A. Abzalava, J. Zarandia, K. Tsimintia, I. Gagnidze, D. Kvaratskhelia, E. Eteria, R. Asatiani, Z. Beshkenadze etc. Were and are involved in studying above named topics. Many of economists have different ideas on how to produce products in organized ways, which on its side determines distinct assessment of economic competitiveness. Mixture of competitiveness concepts of different schools (American, British, Scandinavian), enabled us to study different factors determining competitiveness and discuss their cause-effect relationship in complexity in line with business-structure of the country and the region. Based on mentioned concepts it is possible to carry out productive research regarding country's business-economic competitiveness evaluation and improvement.

In order to establish civil market relations in the community, competitive policy has to be implemented by the government. Competitiveness, as the integral instrument for market economy management, represents the basic component of community's economic organization model. It is

of extreme importance to achieve competitiveness, as further development of economy depends on present as well as future ability of the economy to successfully employ existing limited resources and demonstrate all advantages owned by Georgia (Khaduri, 2010).

Global competitiveness of the country implies the ability of its firms and fields to successfully compete with opponents and bolster its positions on international market. National competitiveness is commonly determined by economic, social, political and other factors (Samadashvili, 2010).

In spite of achieved progress of Georgia in terms of economic liberalization, certain problems in the field of competitive relationship development still exist, which negatively influence overall business competitiveness.

Law of Georgia on competition was abolished in 2005. So, monitoring of preserving competitiveness rules and principles was no longer carried out and the economic sector situation was conditioned by the market logic. As a result, facts of abusing of authority by already settled objects were noted. Newly delivered law on competition introduced specific regulations regarding competitiveness policy, which undoubtedly will be very profitable for the state. However, the government requires certain reforms to create relevant conditions for stimulating free and fair competitiveness at the market.

Georgia significantly improved its position in the Doing Business (DB) 2019 report of the World Bank (WB), coming in at 6th place among 190 countries through improving its position by 3 points and increasing its score by 0.48 point. As a result, the country achieved its historical maximum by 83.28 point in 2019.

Georgia is ahead of countries such as: Norway (7th place), USA (8th place), UK (9th place), Macedonia (10th place), Lithuania (14th place), Estonia (16th place), Canada (22nd place), Ireland (23rd place), Germany (24th place), Azerbaijan (25th place), Russia (31st place), France (32nd place), Poland (33rd place), Czech Republic (35th place), Netherlands (36th place), Belarus (37th place), Switzerland (38th place), Japan (39th place), Armenia (41st place), Slovakia (42nd place), Turkey (43rd place), Moldova (47th place), Serbia (48th place), Ukraine (71st place) etc.

It was the first time for Georgia when it managed to improve country's scores out of 10 indicators in 7 indicators while the rest 3 indicators remained unchanged. Also, it is worth mentioning that in business starting indicator Georgia got 99.34 point out of 100.

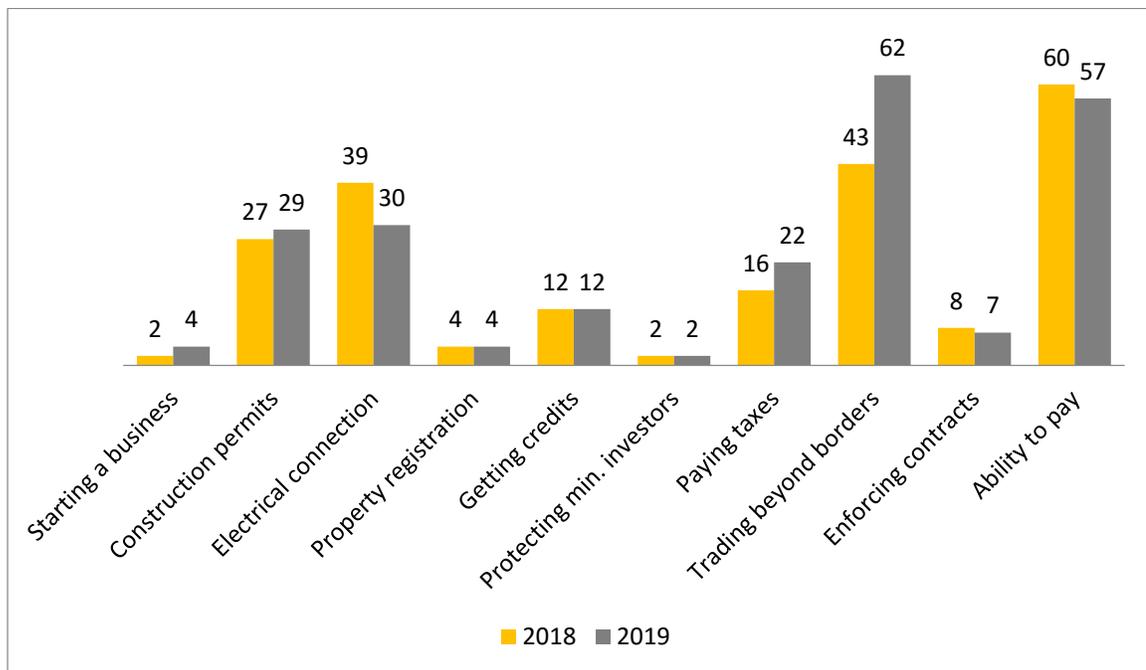
According to the report of 2019, Georgia was once again named as the leading country due to its implemented reforms. Since 2003 Georgia is named as the top reformator - around 50 reforms have been conducted in the country to enhance institutional as well as regulatory environment. Effective measures implemented by the government conditioned the country's leading positions. As a result of carrying out 3 following reforms: starting a business, paying taxes, reinforcing contracts, Georgia is still well-known as a reformator in the world.

According to the scored in 4 indicators - starting a business (2nd place), protecting minority investors (2nd place), registering property (4th place), reinforcing contracts (8th place) - Georgia is included in the first 10 countries out of 190 countries in the world.

In comparison with the previous year, in 2019 Georgia's position was improved in the following 4 indicators out of 10: starting a business (99.34 point)-improved by 2 positions and changed from 4th to 2nd place; Dealing with construction permits (77.61 points)-improved by 2

positions and changed from 29th place to 27th place; Paying taxes (89.03 points)- improved by 6 positions and changed from 22nd to 16th place; Trading across borders (90.03 points) - improved by 19 positions and changed from 62th to 43th place.

Figure 1: Georgia's positions in 2018-2019



Source: (World bank flagship report, 2019)

Georgia has also made great strides in direction of business registration. Particularly, only one procedure is needed to register Georgia's business, the typical procedure is carried out in New Zealand too. Only afterwards when Georgia was allowed to voluntarily register VAT payment for business, it reached its best showing. Before the reform, owners had to visit the revenue service office for several times to be registered as VAT payers after the company registration. Georgia has also expanded One-Stop Shop principle for businesses, implying to start the business by carrying out only one procedure. Mentioned showing has been reflected on the procedure improvement in the aftermath of registration, which definitely simplifies business starting process. Correspondingly, procedures required for starting the business reduced from 2 to 1 and Georgia took 2nd place in starting a business.

It is important to note that Georgia conducted important reforms in direction of international trading as well, aimed at improving international trade and border procedures, which

is one of the main prerequisites for domestic product realization at the world market. In this regard, we have to mention that the minimum time and zero cost are required for preparing export documents. Moreover, time and expenses related to border requirements are significantly reduced, time spent on export procedures are reduced by 42 hours (from 50 to 8 hours), export expenses - by 306 dollars (from 418 to 112 dollars). The government of Georgia is still in the process of conducting specific reforms, which will improve Georgia's position in the world bank rating of forthcoming years.

According to rating of 2019, Georgia still takes leading positions in the regions of central Asia (among 24 countries) and Europe. According to the rating, in 7 indicators out of 10 Georgia has the best ranks in the region of Europe and central Asia. It takes the leading position in indicators of starting a business, registering a property, paying taxes, getting credit, 2nd place in indicators of protecting minority protections and reinforcing contracts, 3rd place in the indicator of dealing with construction permits.

Nowadays, one of the main challenges for Georgia represents to implement all reforms for which the government is responsible as a result of the EU association agreement ratification. Basis of all these reforms is to get the legislative package, which on the one hand establishes the rules for fair competitiveness at the market and on the other hand, protects customers. Adoption of these laws will further enhance country's competitiveness both in the EU and throughout the world.

III. Conclusion

Our paper elaborated recommendations which will contribute to enhance business competitiveness in the country. Based on ongoing processes in the field of business and researches conducted by Georgian scientists, we can draw the conclusion that it is necessary for Georgian companies to pay extreme attention to differentiation strategy, as this kind of policy will give a hint to Georgian production to improve a quality and implement innovative and modern technologies. Main criteria of competitiveness enhancement is to increase labor production. Based on world experience we can note that elaboration and implementation of effective decisions is possible solely through regional cluster formation. Territories where the clusters are formed turn up to be the frontrunners of national economy and its foreign politics.

In order to improve business competitiveness at macro level, it is necessary to form standards, develop institutes and infrastructure, deepen competitive relations, improve the field of education and science, implement fiscal and monetary policy in line with economically developed countries' experience.

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