REGIONAL ECONOMY


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INTEGRATION POLICY OF GEORGIA IN THE EUROPEAN UNION
INTO TRANSPORT NETWORK DEVELOPMENT

Abstract. Due to its advantageous geographic location, Georgia has the potential to become the main logistics center in the Caucasus and Central Asia, which is one of the key factors in increasing the country's competitiveness, which will contribute to export-led economic growth. In globalization, the importance of enhancing logistics and transit capabilities for the region becoming crucial. International economic and trade relations are directly related to the development of transit potential. The article deals with the issues of the transport corridor of Georgia, the expansion of the role of the European Union and the development of the EU-Asia transit potential, the dynamics of international cargo transportation, the reasons and prospects for changes. It is noted that the further development of the Georgian transit corridor mainly depends on one belt - the strategy of movement, the organization of the new Silk Road. The further solution of the problems of the transit corridor will be greatly influenced by the main economic reforms, launching of new large logistics projects, development of the logistics infrastructure, Increasing trade turnover, etc.

Keywords: logistics, infrastructure, transport network, transport corridor, Association Agreement, pipeline, logistics center, cargo traffic, economic reforms, trade.

Formal relations between Georgia and the European Union began in the 1990s, after the collapse of the Soviet Union when the Partnership and Cooperation Agreement was signed. Since then, these relations have gradually developed, and the country's integration into European institutions has become more and more intense. In 2014, in the format of the Association Agreement, the prospect of integration with the EU in the field of trade space was significantly expanded.

Russia creates many obstacles to Georgia's European integration. Russia, along
with many other levers, is using powerful anti-western propaganda, trying to
discredit Georgia. However, the Georgian government and the Georgian people
continue to view the pursuit of European and Western civilization as an alternative
path. Especially after Russia imposed several economic and trade restrictions on
Georgia. This further reinforced the desire for integration in all areas, especially in
the transport, logistics, and trade sectors.

Today, the European Union is a unique political and economic union of
democracies, which aims to bring peace, prosperity, and freedom to more than 500
million citizens and their allies. This is a single space based on the main treaties of
various international significance: the Treaty of Rome (creation of a common
market), the Schengen Agreement (freedom of movement), the Common European
Act (institutionalization of European political cooperation.), The Amsterdam Treaty
(Flexibility, Enhancement), Nice agreement (preparation of the institutional
framework for a new wave of EU enlargement), etc.

EU policy focuses on economic, geographic, regional, and trade integration.
About 22% of its resources are directed specifically to investments in transport
projects. Transport is one of the strategic sectors of the EU economy, which directly
affects the daily life of its citizens and provides them with millions of jobs.

The EU’s transport policy is aimed at creating a unified transport system, for
which it actively invests in the creation of efficient transport networks and the
renewal of the existing transport infrastructure through separate regional programs.
For example, the Eastern Partnership (EaP) program aims to strengthen the transport
links of the participating countries and economic growth. The European
Commission and the World Bank have jointly developed a strategy for
interconnecting national transport networks, creating a Trans-European Transport
Network (TEN-T). It is intended for Armenia, Azerbaijan, Belarus, Georgia,
Moldova, and Ukraine and provides for investments in these countries for about 13
billion euros, which will lead to the construction of 4,800 km of road and railways,
6 ports, and 11 logistics centers by 2050.

In 2014, the European Commission initiated a detailed analysis of nine
corridors of the European Central Transport Network (Baltic-Adriatic; North Sea-
Baltic; Mediterranean; Middle East; Scandinavia-Mediterranean; Rhine-Alps; Atlantic-North Sea;) to identify the main bottlenecks and additional connections that especially impede cross-border traffic flows.

Currently, the transport infrastructure of the European Union member states is about 5 million kilometers of paved roads, 215 thousand kilometers of railways, and 41,000 km of inland waterways. However, despite comparable transport infrastructure, according to 2018 surveys in European countries, the number of existing vehicles, narrow roads, and complex road networks is still growing, which is causing congestion in major cities. According to current estimates, the development of the EU transport infrastructure for 2010-2030 will require investments of 1.5 trillion euros in various areas, for example, in the creation of transport equipment, special equipment, and ancillary infrastructure. To complete the construction of the Trans-European Transport Network 550 billion euros will be required, of which 215 billion euros will be allocated to the so-called main transport network and Expansion of narrow spaces. Today's transport network is evolving to become a stable, efficient, and safe means of transportation that expands the network to cover all regions.

In today's global economy, the production and transportation of oil and natural gas are a subject of tension and disagreement between countries. These problems are associated with the states of the South Caucasus. The resources of the Caspian Sea and their transport routes, which pass through Georgia through the Baku-Tbilisi-Supsa, Baku-Tbilisi-Ceyhan, and Shah-Deniz (Azerbaijan) -Tbilisi-Erzurum (Turkey) pipelines, are of geostrategic importance for the region. From north to south, natural gas is supplied from Russia to Armenia via the South Caucasus gas pipeline. It could potentially be linked to Iranian natural gas fields, but this pipeline belongs and is controlled by Georgia. Numerous attempts by Russia to buy it and expand its control over it have been unsuccessful. Due to tense relations with Russia and the blockade of Iran by the West, international transport links with Iran are very poorly developed. The hydrocarbon resources of the Caspian Sea are transported through Georgia via pipelines and also by rail, which is connected with the terminals of Kulevi and Supsa, and the ports of Batumi and Poti. Shortly, the full operation of
the Baku-Tbilisi-Akhalkalaki-Kars railway will make it possible to transport 17 million tons of cargo, which will significantly reduce the supply of cargo from South Korea-China to Europe. The role of the Energy Bridge and the transport corridor in the Central Caucasus determines the regional importance of Georgia and its international economic function.

The Chinese factor is important for the development of the economic corridor. China and Georgia signed a memorandum of understanding on "cooperation in the development of the Silk Road Economic", including a free trade agreement. China ranks third in Georgia in terms of foreign trade turnover, its share of investments is growing rapidly in Georgia. These circumstances point to the growing role of China in Georgia. Nevertheless, the interests of Georgia as a transport corridor, backed by the economic initiative of China, really contradict the interests of other countries, including Russia. To avoid the influence of other players in the region, Russia created the Eurasian Union, the connection of which with the Chinese initiative is not clear.

Geopolitically, Georgia occupies the most advantageous position in the Central Caucasus. Today it connects East and West through three main transport routes. This road is an alternative vector of Russian-controlled pipelines. Georgia has the potential to become a connecting link with the North-South vector, which can connect Russia and Iran through Armenia or connect Iran with Europe through Azerbaijan.

In 2002-2008, the volume of freight traffic by rail in Georgia increased by about 40%, and the share of transit goods reached 85%. Accordingly, the dynamics of cargo transshipment in the ports of Georgia (Batumi, Poti, Supsa, Kulevi) increased, although in the period after 2014 the attractiveness of the transport corridor function is gradually decreasing. Since 2014, the number of containers transported by rail has also decreased significantly, and in recent years it has equaled the data of 2006 (35,900 containers). The number of recycled containers in Georgian ports recently amounted to 88 percent of the processed cargo in 2014. Cargo processed in the ports of the Black Sea countries has different dynamics. It decreased significantly in Georgia (24 percent) and Ukraine (7 percent). Increased in Russia
(13 percent), Bulgaria (6 percent), Turkey (6 percent), Romania (7 percent). Overall shipments to Black Sea ports increased by four percent. Thus, based on a comparative analysis, we can conclude that the rates of cargo transportation in Georgia are not growing and this field is currently declining. Given the existing priorities and favorable geographic location, Georgia has the potential to become the main logistics center in the Caucasus and Central Asia, which is one of the key factors in increasing the country's competitiveness and promoting export-led economic growth. The fact that Georgia's cargo traffic is decreasing every year raises questions as to whether the problems caused by the shortage of transit cargo will be carried over to large-scale planned and existing projects in Georgia, such as the port of Anaklia.

This was facilitated by various internal and external factors of global processes, as well as the current pandemic. However, it should be noted that there are positive economic dynamics and support programs from the EU to our region, especially towards Georgia. The government of Georgia and other institutions are trying to intensify reforms to achieve the required level of success.

The countries of the West and the EU are interested in diversifying the vectors of oil and natural gas supplies. Georgia, as an energy bridge, is in the sphere of interests of both the West and Russia.

The Association Agreement between Georgia and the European Union defines transport cooperation between Georgia and the EU member states on the following issues: Promoting the development of sustainable transport systems; Efficient and safe operation of transport; Intermodality and interoperability of transport systems; Strengthening of the main transport links between Georgia and the territories of the EU member states; And strives to improve the movement of passengers and goods and also increase traffic flows.

Cooperation includes actions to facilitate border crossing; Information exchange and joint actions at the regional level, development of the Eastern Partnership Transport Group the Europe-Caucasus-Asia (TRACECA) transport corridor, and other transport initiatives. The agreement defines in detail the technical, safe, social, and financial conditions for air, sea, rail, and road transport.
Finally, Georgia both economically and politically is a bridge between West and East. It can also serve as a link between North and South. Georgia has geographic and trade relations with neighboring countries - Armenia, Azerbaijan, Russia, and Turkey. Georgia is creating an open market with neighboring countries to facilitate the free movement of capital, goods, and services and coordinate foreign economic policy in the region.

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