
CONTEMPORARY STATISTICAL TRENDS OF EXPORT OF GOODS FROM GEORGIA TO LATVIA

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Received 08.12.2023; accepted 28.12.2023

Abstract. Despite the improvement of the indicators of Georgia's export relations with the European Union, the balance of foreign trade with many countries, including Latvia, is negative. It amounts to –29 357.00 thousand US dollars, and compared to the previous year, it has increased by 27 %. The aim of the paper was to analyze the main trends of exports from Georgia to Latvia. Statistical research methods were used in the research process. In general, export relations with Latvia are characterized by an increasing trend. During the study period, during the last ten years, exports grew by an average of 8.8 % annually and were characterized by a rather diverse commodity structure. The range of growth rates varied between 77.6 % and 135 %, and its magnitude varied at different stages. In 2022, Georgia's exports to Latvia increased by 31.2 % compared to the previous year and by 35 % compared to 2019. During the research period, there were no significant changes in the product structure, and the main export products were wine of fresh grapes, petroleum and petroleum oils, undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages, waters, natural or artificial mineral and aerated waters, etc. The volume of local exports to Latvia is increasing. In 2014–2022, it grew by an average of 3.7 % annually, although the share of local exports in total exports to Latvia fell from 92 % in 2014 to 67.7 % by 2022. Instead, the volume of re-exports increases. In the same period, the re-export volume increased by 28.3 % annually. The commodity structure also changed slightly.

Keywords: *Export of goods, statistical analysis, trend, commodity structure.*

JEL Classification: CO

INTRODUCTION

The level of the economic development of Georgia depends on the country's relations with the rest of the world. The levels of the economic development of the world countries on the background of the world market liberalization and integration processes have an increasing impact on one another (Gelashvili et al., 2015).

Internationalization of economic and financial life in the world and opening of state borders for the movement of capital and goods created new conditions and perspectives in the policy field of large national enterprises and corporations, significantly expanded their scope of activity and gave it an international character, thus increasing the degree of economic integration of Georgia in the world economic space. In this integration, the European Union is represented with a significant share. After gaining independence, the post-Soviet countries expanded significantly the geography of foreign trade, which significantly increased the trade turnover (Gelashvili, 2017).

The European Union and Georgia has more than a 25-years long relationship. Since 2016, the partnership has been based on the association agreement between the European Union and Georgia, which provides the basis for political association and economic integration between the two sides. Among the important results of this relationship is the agreement on the Deep and Comprehensive Free Trade Area (DCFTA), which has opened the European market to Georgian businesses and products. The European Union is a significant trade partner of Georgia.

As it is known, Georgia entered a new stage of trade relations after the signing of the Association Agreement with the European Union on June 27, 2014. The CIS countries played an important role in the country's foreign trade relations, which have been strengthened under the conditions of the Deep and Comprehensive Free Trade Area (DCFTA), and the geographical structure of foreign trade has also been transformed.

Hence, Georgia simultaneously trades with the CIS and EU member states (Mgebrishvil & Zubiashvili, 2021).

In modern conditions, the deepening of globalization has made competition between countries for export markets tougher and more intense. It turned out to cause problems even for the countries of the former Soviet Union that have embarked on the path of European development (Gaganidze & Ramishvili, 2018).

It is true that Georgia declared (restored) its independence in the early 1990s, after the collapse of the Soviet Union, but for a long time, its economy was still dependent on the post-Soviet countries, and then, based on the CIS countries. The western course of Georgia outlined during recent years and the Association Agreement signed with the EU has deepened integration processes, but the problem of competitiveness of goods still remains unsolved (Silagadze & Atanelishvil, 2020).

In modern conditions, the problem of competitiveness of goods has been partially solved. In terms of trade relations, 92 % of exports with the EU are only local exports.

It should be noted that the share of the European Union in the foreign trade of Georgia varies between 26 % and 30 % in the EU, CIS, BSEC, and OECD countries. Among the countries of the world, Turkey, Russia, and China are the main trade partners of Georgia. According to the data of 2022, three countries of the European Union are included in the top ten countries according to the turnover of foreign trade of Georgia with the countries of the world: Germany, Bulgaria, Romania. Latvia occupies the 40th position in this rating. According to the preliminary data of 2023, only Germany is in the top ten. Latvia moved back by

one position. Despite the small scale of trade relations with Latvia compared to other EU countries, the intensity of trade relations has been increasing in recent years, especially with the growing trend of exports. Georgia's active trade relations with the European Union, including the Baltic States, have become particularly active after the DCFTA.

Georgia, like many other countries of the former Soviet Union, went through a difficult period in the 90s. The economic development parameters were slowly improving, and the vector of the country's development was being transformed. The road to Europe has become the priority direction for the socio-economic development of Georgia. Under these conditions, the country faced new challenges, including reaching the level of European competitiveness and others (Silagadze & Zubiashvili, 2016). When the Soviet Union collapsed, the post-Soviet countries developed their market economy in different directions. The Baltic States Estonia, Latvia, and Lithuania immediately took the path to the European Union, which was facilitated by the modernization of the economy, so they soon became full members of the European Union. Part of the countries, namely Azerbaijan, Kazakhstan, Russia, and Turkmenistan, ensured rapid economic development by using fuel and energy resources, and Georgia, Moldova, and Ukraine became associate members of the European Union in 2014 (Silagadze & Zubiashvili, 2015). Ukraine and Moldova received candidate status in June 2023, and Georgia on December 14, 2023.

From a strategic point of view, in the conditions of modern globalization, it is very important for Georgia to develop and deepen economic, financial and other types of relations with the rest of the world. Against the background of ongoing changes in the daily political and economic processes, relations with the European Union have become particularly relevant, as the sharing of advanced European values and experience and joining the Union have become part of the foreign interests of the country (Abesadze & Abesadze, 2018).

The economic growth of any country in modern conditions is largely determined by universal globalization processes (Chania & Putkaradze, 2022). Throughout the world, the modern trends of globalization dramatically accelerated the reform process in both transition and developed countries (Mekvabishvili & Atanelishvili, 2017).

At the modern stage of globalization, Georgia is actively involved in international integration processes, during the process of rapprochement with the European Union, reforms and transformations allow the country to raise national standards. However, for Georgia, the possibility of full institutional integration and joining the European Union still remains an important challenge. It is known that in the modern world, the economic development of any country depends on both domestic and foreign factors. Therefore, in the conditions of modern socio-economic development, international economic relations are one of the most important factors in the sustainable development of Georgia (Veshapidze & Putkatadze, 2023).

It is a fact that relations with EU countries are expanding, and trade relations are an important leverage. The Baltic countries, including Latvia, are one of the most important partners for Georgia, and these relations become more intense and

active every year. It is true that the COVID-19 pandemic has had a serious impact on both individual countries and the global economy (Papava, 2020).

But export relations were among the least affected by the pandemic. Despite the imposed all-round clashes and lockdowns, the trade relations of Georgia have maintained the existing quantitative parameters. However, it has become clear that non-economic factors can also have an impact on economic processes and policies. As a result, a new challenge appeared for the countries – economic stability, security and sustainable development were needed (Lekashvili, 2022). The intensity of the integration of the national economy into the world economy is increasing today. This is an irreversible process that must be put in the right framework. Integration with the rest of the world is necessary and important because it ensures not only the socio-economic development of the country but also raises the standard of living and, accordingly, solves the social problems in the country

For the integration of Georgia in the international economic space, the deepening of economic relations with trade partner countries, a policy aimed at diversification, the development of bilateral and multilateral trade relations, as well as preferential and free trade regimes, promoting the use of a deep and free trade with the European Union, is one of the main development priorities for Georgia (Dzebisauri, 2020). Based on the course of the country's European integration, the priority is to deepen the economic integration with the European Union in the conditions of free trade space. Therefore, the statistical analysis of export trade relations, and the detection of modern trends are relevant, important and necessary in the conditions of the pandemic (Abesadze, 2015).

Today the situation is such that despite the improvement of the characteristics of export relations with the European Union, the foreign trade balance is negative (Gelashvili et al., 2015). According to the latest data, today, it is at the level of -2 197 887 thousand USD and has increased by 38 % compared to the previous year (National Statistics Office of Georgia, 2023). The balance with Latvia is -29 357 thousand USD. There is also a 27 % increase compared to the previous year. In general, the foreign trade balance of Georgia is -7 964 266 thousand US dollars, which has increased by -36 % compared to the previous year.

One of the main issues in foreign trade statistics is data quality. For this purpose, it is recommended to use the 'mirror statistics' method of comparing the data of the partner countries. When using this method, the data of export-import of goods between partner countries are compared. In theory, these data should be equal to each other; however, in practice, this often happens differently (Aslamazishvili & Gelashvili, 2018).

The Russia-Ukraine war had a certain negative impact on a separate segment of the Georgian economy, first of all, on the volume and structure of foreign trade in goods, as well as on its geographical distribution. In 2022, compared to the previous year, 2021, the total volume of trade between Georgia and Ukraine decreased by 31.5 %, including the value of goods imported from Ukraine by 39 %, which is the lowest rate in the last 18 years, i.e., 2005–2022. This was immediately reflected in the price of various products, especially food products (cereals) and construction materials (iron products). This has led to an increase in the prices of new apartments by about 40 %. The export of goods from Georgia to Ukraine also

decreased, namely: in 2022 compared to 2021, the decrease was 24 %. It should be noted here that the export of many types of goods from other countries, and especially from Russia, was replaced by higher prices, which led to an increase in consumer and producer price indices in Georgia, and, accordingly, the average annual inflation rate in 2022 was 11 %. All of the above had a negative impact on the exchange rate of the national currency – lari, and it was devalued by approximately 12 %.

In 2022 alone, exports to Latvia increased by 31.2 % compared to the previous year, imports increased by 28.5 %, and foreign trade turnover increased by 29.5 %.

1. METHODOLOGY

In the research process, a bibliographic study of the works of various authors and research results of scientific research institutions was carried out in connection with research problems. The analysis revealed the trends of foreign trade relations and highlighted the main challenges. The data of the Ministry of Economy and Sustainable Development and the National Statistical Service of Georgia, as well as the data posted on the websites of international organizations, were also used for the analysis.

In the research process, general (analysis, synthesis, induction, deduction, etc.) and specific (observation, gathering-grouping, analysis: average values, relative indicators, time series, selective observation, etc.) statistical methods were used. The research results were formed as a result of the calculations, based on crosstab analysis.

2. RESULTS

What are the trade relations with Latvia and what structural changes have been implemented in the last ten years? According to the latest data, trade turnover with Latvia is 58.24 million USD, which, in dynamics, except for 2019–2020, is characterized by a growing trend; in general, during the last ten years, the turnover of foreign trade with Latvia grew by 7.1 % annually (Fig. 1).

According to the data of 2022, the turnover of foreign trade of Georgia with the European Union is 21 % of the total turnover, including the turnover with Latvia, which is only 1.5 % of it. The turnover of foreign trade with the Baltic countries is 159 362.69 thousand USD, which is 4 % of the turnover with the EU countries. Among them, the share of Latvia is 37 % (National Statistics Office of Georgia, 2023).

Export relations with Latvia are intense; during the study period, the last ten years, exports declined by an average of 8.8 % annually and covered a rather diverse commodity structure magnitude. Georgia's exports to Latvia increased by 31.2 % in 2022 compared to the previous year and by 35 % compared to 2019 (Fig. 2).

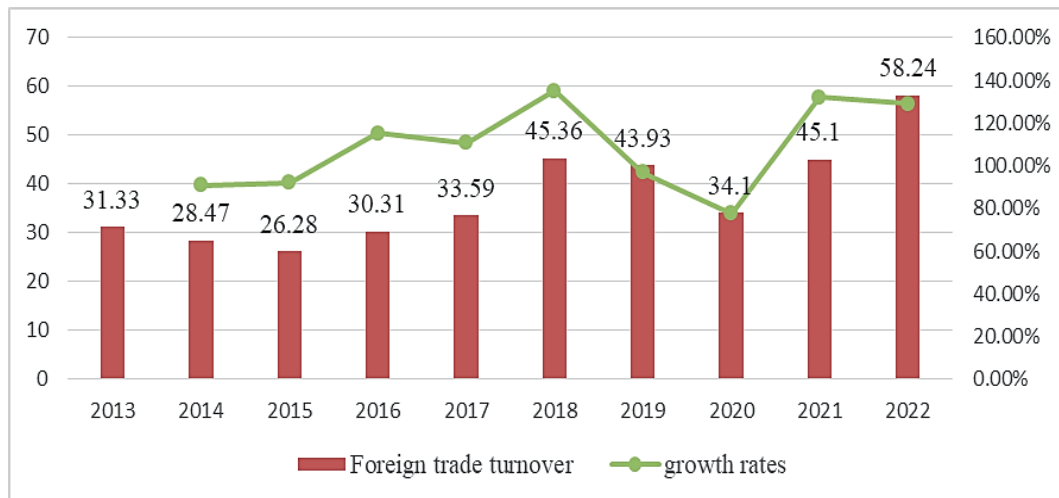


Fig. 1. Dynamics of Georgia’s trade turnover with Latvia (million USD) (National Statistics Office of Georgia, 2023).

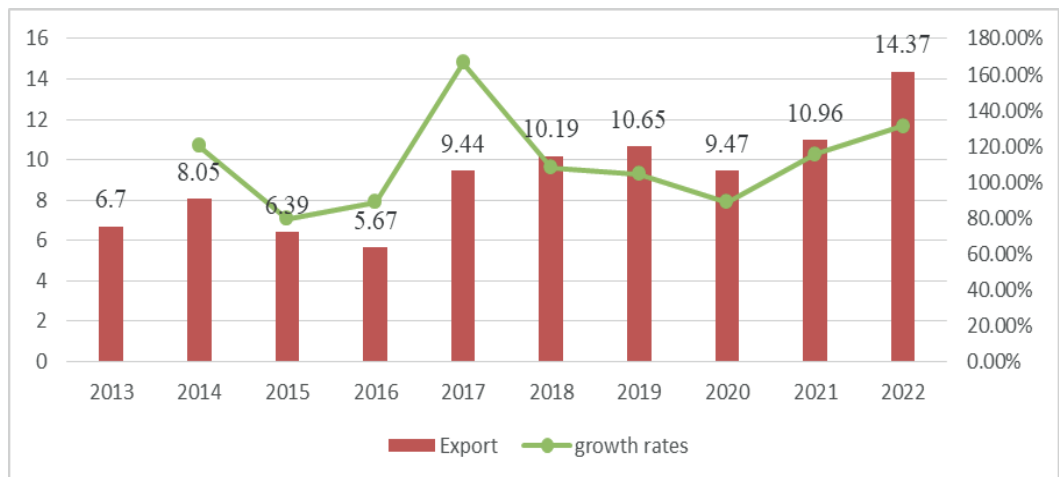


Fig. 2. Dynamics of Georgia’s export to Latvia (million USD) (National Statistics Office of Georgia, 2023).

It is interesting how the commodity structure of exports to Latvia was changing. As revealed by the analysis of statistical data, no significant changes were detected in the product structure and the main export products are: wine of fresh grapes, petroleum and petroleum oils, undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages, waters, natural or artificial mineral and aerated waters, not containing added sugar, hazelnuts and other nuts, etc.

However, compared to the previous year, the export structure ranked by volume has changed. Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages increased by 4 %, waters, natural or artificial minerals and aerated waters not containing added sugar by 567 %, and cigars, cheroots, cigarillos and cigarettes export by 324 % (Table 1).

Table 1. Top 10 Export Goods from Georgia to Latvia (National Statistics Office of Georgia, 2023)

Top 10 exported goods	Volume	Growth rate, %
Wine of fresh grapes	4411.64	96
Petroleum and petroleum oils	2964.92	-
Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages	2845.28	140
Waters, natural or artificial mineral and aerated waters not containing added sugar	1050.37	667
Hazelnuts and other nuts	408.42	52
Medicaments put up in measured doses	359.80	40.2
Cigars, cheroots, cigarillos, and cigarettes	358.18	424
Wrist-watches, pocket-watches and other watches, including stop-watches	345.37	56.4
Beer made from malt	276.43	69.1
New pneumatic tires of rubber	233.70	69.2

Although petroleum and petroleum oils were not exported from the country at all in the previous year, in 2002, they were in the second position in the weight structure and compared to 2019, their volume has increased by 240.7 %; as it appeared, this was mainly due to re-exports, where they unconditionally occupy the first place in the commodity structure.

In general, the share of domestic exports in the EU countries in total exports is high, and according to the latest data, it is 86 % (Fig. 3).

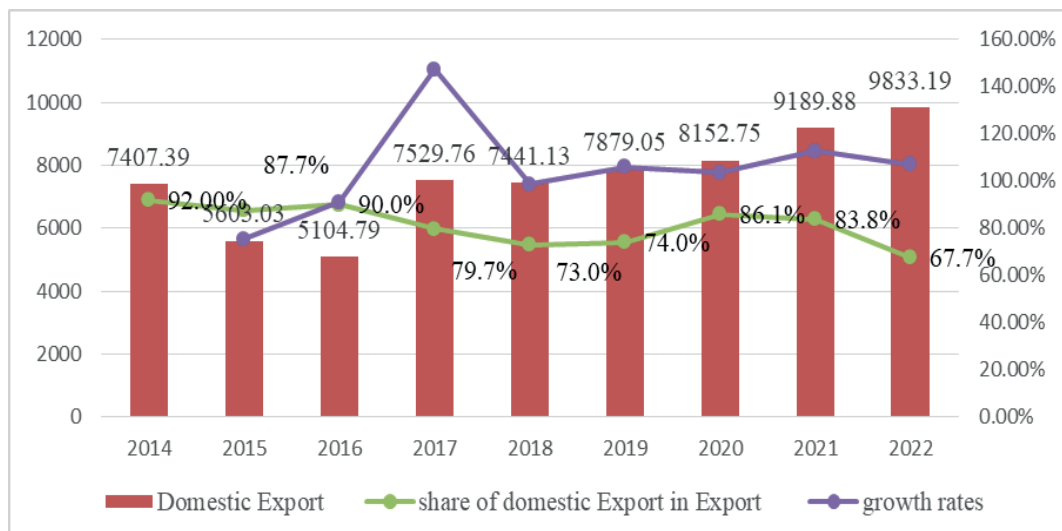


Fig. 3. Dynamic of domestic export indicators (National Statistics Office of Georgia, 2023).

In the case of Latvia, the share of domestic exports is relatively small, although the dynamics of local export volumes are still high. Suffice it to note that in 2014–2022 it grew on average by 3.7 % annually; nevertheless, due to the increase in re-exports, the specific share of local exports in total exports to Latvia fell from 92 % in 2014 to 67.7 % by 2022.

International trade, including food trade, has grown significantly over the past few decades. In addition, the geography and distance of food trade have changed with the use of modern means of transport. However, scientists have recently been actively discussing the ecological cost of food transportation, which is measured by the amount of CO₂ caused by the transportation of one ton of food per unit of distance (Kharaiashvili & Gechbaia, 2023).

The products of local production to Latvia are mainly exported: wine of fresh grapes, undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages, waters, natural or artificial mineral and aerated waters not containing added sugar, hazelnuts and other nuts, waters, mineral and aerated waters containing added sugar, prepared binders for foundry molds or cores, chemical products and preparations, etc.

Instead, the volume of re-exports increased. During the research period, the re-export volume increased by 28.3 % annually. This accordingly reflected on the export structure and led to an almost 16 percent decrease in local exports in 2022 compared to the previous year (Fig. 4).

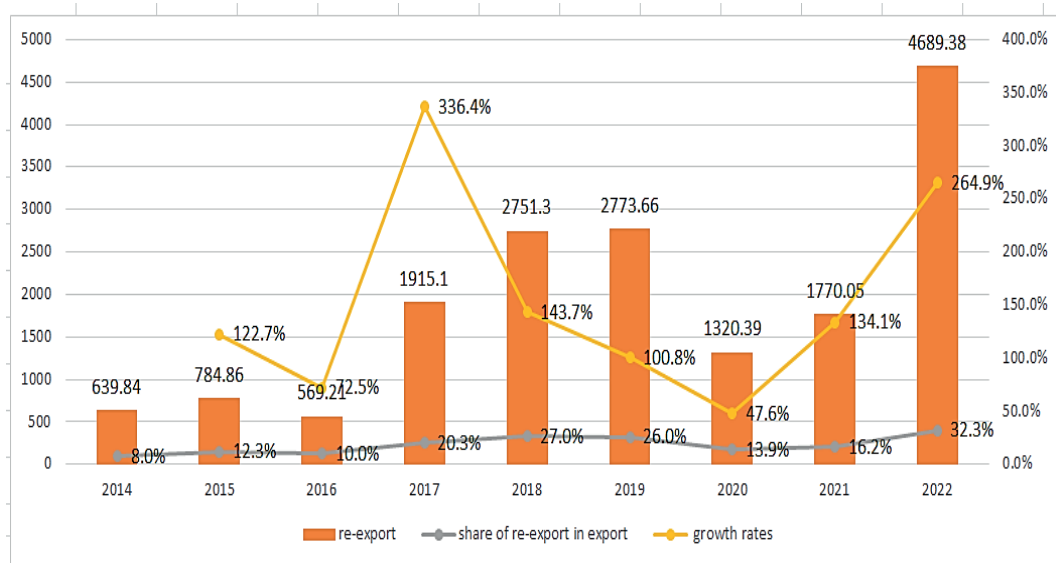


Fig. 4. Dynamic of re-export indicators (National Statistics Office of Georgia, 2023).

It is interesting to know which goods re-export has increased in Latvia?

It should be noted that in 2022, the most re-exports from Georgia were petroleum and petroleum oils, the share of which in re-exports with Latvia was 63.2 %. During the last year, the re-export of cigars, cheroots, cigarillos and cigarettes increased by 323 % and of undenatured ethyl alcohol, spirits, liqueurs

and other spirituous beverages by 36 %. Other re-export goods included in the top 10 showed decreasing rates; for example, re-export of wrist-watches, pocket-watches and other watches, including stop-watches, decreased by 27.6 %, beer made from malt by 30.9 %, new pneumatic tyres of rubber by 30.8 %, and medicaments put up in measured doses by 39 % (Table 2).

Table 2. Commodity Structure of Re-exports in 2022 (National Statistics Office of Georgia, 2023).

Goods	Volume	Growth rates
Petroleum and petroleum oils	2964.92	-
Cigars, cheroots, cigarillos and cigarettes	358.18	423 %
Wrist-watches, pocket-watches and other watches, including stop-watches	282.25	72.40 %
Beer made from malt	276.43	69.10 %
New pneumatic tires of rubber	233.70	69.20 %
Medicaments put up in measured doses	194.59	61 %
Chocolate and other food preparations containing cocoa	110.23	-
Motor cars	101.80	97 %
Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages	66.30	136 %
Waters, mineral and aerated waters containing added sugar	33.66	-

Note: Some goods are in the commodity structure for the first time in 2022, so the growth rate is not calculated compared to the previous year.

CONCLUSIONS

Georgia is actively involved in international integration processes, the area of its trade relations with the Baltic States is growing. Although the volume of exports to Latvia is still small, there is definitely a potential for its increase; for the last 10 years, the turnover of foreign trade with Latvia has grown by 7.1 % annually.

According to the data of 2022, the turnover of foreign trade of Georgia with the European Union is 21 % of the total turnover, including Latvia's, which is only 1.5 % of it. The turnover of foreign trade with the Baltic countries is 159 362.69 thousand US dollars, which is 4 % of the turnover with the EU countries. Among them, Latvia's share is 37 %.

Currently, the trade turnover with Latvia is 58.24 million USD, the foreign trade balance is negative and amounts to 29 357 thousand USD, which is 27 % higher than the previous year.

The volume of exports to Latvia is also increasing. During the last ten years, exports have grown by an average of 8.8 % annually and included a fairly diverse commodity structure. The range of growth rates varied between 77.6 % and 135 %. In 2022 alone, compared to the previous year, Georgia's export to Latvia increased by 31.2 %, which was 35 % higher than in 2015.

It should be noted that in the last ten years, no significant changes in the commodity structure have been detected. Although petroleum and petroleum oils did not leave the country at all in the previous year, in 2002, they were in the second position in the weight structure and compared to 2019, their volume has increased by 240.7 %. This was mainly due to re-exports, where they formally occupy the first place in the commodity structure.

The volume of local exports to Latvia is increasing. However, the specific share of local exports in total exports to Latvia decreased from 92 % in 2014 to 67.7 % by 2022. Instead, the volume of re-exports increased.

In conclusion, it should be said that despite the small volume, Georgia's export relations with Latvia are important for the economic development of the two countries.

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