



Green economy as a new opportunity to stimulate export and attract investments, the Case of Georgia and Lithuania

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Introduction

Analysis of the situation in Georgia's agriculture confirms that the traditional agricultural sector cannot develop and compete in external or internal markets, therefore, the agricultural economy does not grow, and in the absence of a defined market matching the growth, there is insufficient incentive for investment. The country fails not meet the needs of the population for food, despite the fact that the area of agricultural land is more than 3 million hectares and occupies 43.3% of the total area of the country. The share of state land in the total area of agricultural land is large. Only 25% of agricultural land has been privatized. 80% of the population employed in agriculture is self-employed, indicating a high proportion of subsistence agriculture. From 2013 to 2020, the production of crop and livestock products has been declining over time, the acreage for autumn and spring crops has also decreased over the same period. In the same period, in Lithuania, both exports and imports of food and beverages slightly decreased over time, but investments increased significantly, as did the production of crops and acreage, unlike the production of livestock products, which did not increase. 95% of agricultural land is privately owned, while organic farms account for 8% of the total area, close to the European average.

The main challenge for the agricultural sector in Georgia is the country's food self-provisioning, the development of export production and settling on the international market, however, with the current agrarian policy, the country failed to address this challenge, and also failed to analyze and evaluate the emergence of new opportunities in the context of supporting a green economy, as evidenced by the formal nature of the document adopted by the Georgian government on July 30, 2013 Ordinance on Bioproduction, since no real measures have been taken since then, and the share of bioproducts in Georgia's agriculture does not exceed 1%. Georgia has natural and climatic conditions for the production of organic agricultural products, thus, agriculture is a very sector, where the capacity for the development of a green economy lies, and where, under the effective management of still unused resources, it is possible to reduce imports of agricultural products and stimulate exports. This provides a new chance for the progress of the agricultural sector and changing the reality in which the agricultural sector has found itself.

The purpose of this article is to assess the causes of stagnation in agriculture in Georgia and substantiate the possibility of sustainable agricultural development in the context of providing incentives for the development of biofarms and stimulating the bioeconomy from the state, achievable by exporting organic agricultural products in condition a healthy investment climate. The article also aims to highlight the importance of stimulating the growth of organic farms and the export of organic products in Lithuania.

Methodology

In the article used the research methods like scientific abstraction, comparison of information, generalization, analysis and synthesis were also used. The empirical basis of the research is the official information of the National Statistics Office of Georgia, the normative acts of the Government of Georgia and scientific publications. These methods enabled us to study the economic events and their interaction.

Results

Georgia's Green Economy Strategy includes infrastructure investments in agriculture, buildings and the tourism sector. The formation of the green economy sector towards agriculture is due to the presence of significant potential for the development of the bioeconomy in the country. Bioeconomy is becoming the main driver transforming European agri-food value chains towards global sustainability in the food supply chain.

The process of transformation of the agricultural sector in Europe and other countries, fueled by the development of the bioeconomy, through the support of the green economy, has opened up new opportunities for Georgia to ensure an inflow of investments in this sector, sustainable economic development and export growth, which has remained an insurmountable challenge so far.

Georgia, being a developing country with a weak economy, which consumes much more than it produces, should look for alternative ways of economic growth. The traditional agricultural sector is unable to develop and withstand competition either on the external or internal market, and the country has a chronically negative foreign trade balance. On average, 70% of foreign trade turnover is accounted for by imports. About \$ 1 billion worth of food and beverages are imported annually. Given the resource potential of the country, the share of agricultural products in the largest export commodity positions is very small and is limited only to: natural grape wines, mineral and fresh waters, spirits and nuts. Wheat has a dominant import position. The country is unable to meet the needs of its population for food.

In Georgia, measures taken by the state in the context of undeveloped (especially irrigation and drainage systems) infrastructure failed to stimulate the agricultural sector. Analysis of the current situation in Georgia's agriculture confirms that the agricultural economy is not growing in dynamics, and since growth is unpromising, in the absence of matching sales market, there is no sufficient motivation for investment. Correlation analysis shows that there is no feedback between investments made in the analyzed period, exports and output of crop production (correlation coefficient is negative), there is no correlation between investments and livestock production (correlation coefficient is 0.28). On the other hand, there is a weak correlation between the area under autumn and spring crops and investments (correlation coefficient is 0.47), which indicates that investments are mainly associated with the purchase and use of agricultural land for non-agricultural purposes.

An alternative way to improve the situation in Georgia's agriculture is to promote a green economy, where with effective management of still unused resources, it is possible to reduce imports of agricultural products and stimulate exports, which gives a new chance for progress in the agricultural sector and changes the reality in which Georgia has found itself. With the development of a green economy, the country can become a producer and supplier of bioproducts for both the EU and other countries. The green economy could become one of the main sectors of the economy instead of the tourism sector, which is very fragile and unreliable during the crisis.

Georgia's green growth ambitions aim to curb its annual carbon dioxide emissions and increase the number of green jobs in the long run. Regarding jobs, the emphasis is on the development of the agriculture sector. It is the most important contributor to employment in Georgia, providing employment to approximately 45% of the total workforce. Around 80% of the workforce employed in agriculture is self-employed, which indicates a high share of subsistence agriculture. In Lithuania only 55% are self-employed.

The main challenge for the agricultural sector in Georgia is the country's food self-provisioning, the development of export production and settling on the international market, however, with the current agrarian policy, the country failed to address this challenge, and also failed to analyze and evaluate the emergence of new opportunities in the context of supporting a green economy, as evidenced by the formal nature of the document adopted by the Georgian government on July 30, 2013 Ordinance on Bioproduction. since no real measures have been taken since then, and the share of bioproducts in Georgia's agriculture does not exceed 1%. Currently, there are only a few certified companies in Georgia that produce organic products, including bio wine (at this stage, the list of entrepreneurs in Georgia includes up to 35 organic viticulture/wine-making, up to 10 in transitional stages and up to 25 uncertified), organic essential oils, organic cereals and fruits, organic nuts, organic tea, organic berries. They also collect and sell wild plant products.

By the Agrarian Movement of Georgia has been prepared "Market potential and feasibility study for organic agriculture" for the "GRETA" project - Green Economy: Sustainable Mountain Tourism and Organic Agriculture. The goal of this research was the identification of the most suitable products (value chains) for organic production. The project was funded and covers three regions of Georgia: Upper Svaneti, Racha and Upper Imereti; Its total cost is 6.8 million Euros and is funded by the governments of the EU and two EU member states, Austria and Sweden.

Lithuania has the biggest in Europe organic company Auga group. Last year (August-December), over 144 thousand tons of organic raw materials (grain, legumes and rapeseed) were purchased and exported from Lithuanian organic farms. Most of it was organic wheat - 76,474 tons and oats - 21,444 tons.

In Lithuania, 2731 certified farms are engaged in organic farming, their cultivated areas reach 246 thousand hectares, of which 150 thousand hectares are arable land and the rest are meadows.

Compared to Georgia, Lithuania has much better starting conditions for the development of the bioeconomy and the growth of exports of bioproducts. In a view of the decline in exports during the analyzed period, it is especially important for Lithuania to take additional measures to stimulate the growth of organic farms and the export of organic products.

Main conclusions

Based on the results of the study, the following conclusion can be drawn:

Most of the agricultural land in Georgia is undeveloped, the share of households in crop and livestock production is high, only 25% of agricultural land and 55% of arable land have been privatized. About 80% of the rural labor force is self-employed, which indicates the existence of subsistence farming, cooperative farms cannot develop and, as a result, agriculture does not grow adequately. The mismatch between the demand and supply of agricultural products produced in Georgia hinders sales both on the domestic and foreign markets. The situation is much better in Lithuania, where 95% of agricultural land is privately owned and 55% of the workforce is self-employed, although food exports are not increasing. Lithuania has the potential to increase the export of bioproducts.

At this stage, there is a resource potential for the growth of the agrarian economy of Georgia in the direction of bioeconomy, for the development of which it is advisable to accelerate:

1. Agricultural infrastructure development process;
2. Privatization of state land with the condition of the development of biofarms, which will also contribute to the development of the land market;
3. Preparation of a regulatory framework that will stimulate the production and export of bioproducts.
4. Promotion of production and export of organic products, support for such producers.
5. Promotion of agricultural cooperation.