

SOME HISTORICAL ASPECTS OF EXPORT IN GEORGIA

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Introduction

For almost all developing countries, growth of export is a major factor in economic growth and development in general. In doing so, they manage to use of their resources and advantages better. Naturally, different countries use the special programs for production and supply of export products for this purpose. Due to the geographical location, it has always been the center of international trade and an important transit artery for cargo movement. An important role of foreign trade of Georgia was conditioned by its existence on the trajectory of the Silk Road. The Silk Road is the transcontinental trading-caravan route, which connected China with the Mediterranean and Black Sea coasts. This route led the caravans loaded with silk to the countries of Asia Minor and to other European countries from there. The gems from India and Pakistan, furs from Russia, gold and silver from Turkey, etc. used to be brought via the Silk Road. In turn, countries of the Asia Minor and Europe, including Georgia, offered their own

manufactured goods to the countries of Silk Road, which were taken by the Europeans to the opposite direction.

Dependence on export in different periods

According to the historical sources, trade and exchange in the Caucasus and, in particular, in the valleys of Georgia should have been highly developed in the 11th and 7th centuries BC, the inhabitants of highest places of the Caucasus were also forced to come to the valley, for example to buy salt. Besides domestic trading, the foreign trade was also highly developed in Georgia. The goods were brought from India to the Caspian Sea and taken to Kartli via the sea. Where it was impossible to navigate, the goods were taken in Kvirila Gorge to Shorapani and brought to the Black Sea by boats. The goods were sent to the West by the sea. Thus, the export-import of various goods was considered as usual occurrence. Strabo and Xenophon have

provided very interesting information. Strabo notes about Georgia of that time: "... it is a rich country that can very often be inhabited and indeed, Iberia is well populated mostly by cities and boroughs in the manner that we come across the tile roofs and apartments and markets, as well as the other public buildings built in accordance with the rules of architectural art". (History of Georgia, 1990: 36)

Ivane Javakhishvili points out that the Georgian tribes of that period produced ores, utensils and weapons not only for themselves, but also for sale in distant lands like Tyre. (Javakhishvili, 1951: 23)

In Western Georgia we come across the spread of Drachms and Tetrachms of Alexander the Great, which was rare in Eastern and Southern Georgia. However, the Macedonian silver along with gold were spread in both - Western and Eastern Georgia.

Trade in Georgia reached a high level of development in the epoch of King Tamar. During this period, the level of development of agriculture and craftsmanship created favorable conditions for trade. Domestic and foreign trade was developed. Production of clay, copper, gold and silver utensils was particularly developed that exported to other countries. During the reign of King Tamar Georgia had close trade relations with neighboring countries, Arabia and Byzantium, as well as with other states. Various types of textiles were imported from Muslim countries to Georgia (Metreveli, 1991: 56).

In the middle of the period of Feudal system, Georgia has been one of the key nodes of the world caravan trading and ensured the international trading between the counties of East and West of the world, both by land and sea. It is known from history that there was a large warehouse terminal for storing goods brought from the Black Sea coasts in the Residence of Tao-Klarjeti – Artanuji.

The construction materials, metal, ploughshare, wool, leather and other goods were sold on the Georgian market at that period. The wool, cotton and silk fabrics, clothing, carpets, jewelry and ceramics were exported from Georgia to foreign countries. From foreign countries, especially from the east, Georgia was supplied with ointments, horse harness, precious metals, steel, sugar. The textiles, royal and church items were imported from Byzantium, "Pharna" from Armenia, wool from Egypt, etc. The royal government of Georgia actively promoted trade, by creating appropriate infrastructure (construction of roads and bridges, caravanserais and ostleries for trading), because trade was an important source for state power and revenue.

A lot of money was circulating in Georgia in XII-XIII centuries. The events taking place in the foreign policy contributed to the development of foreign trade in Georgia that was related to the Crusades in the Middle East, which greatly affected the trade of Muslims and Byzantines. Following the defeat of the Arabs and routing of Byzantium, the role of European, and especially Italian, merchants increased. As it is known in history, Georgians expanded their borders during this period and Georgia became the leading state in the Middle East and consequently expanded its trade area. Georgia established close trade relations with Venetian merchants. With development of navigation in the late 14th century, the Silk Road gradually lost its former function. The machine manufacturing, development of maritime transport and subsequent rail and motor transport have completely changed the geography of world trade. During the reign of Erekle II, significant reforms were implemented in the field of finance and budget. Erekle considered trading as one of the sources of the economic revival of the kingdom and pursued a policy of stimulating the latter. For example, merchants who played a

significant role in formation of the revenue budget were relieved from the “duty troops” service. (Chikhladze, 1999:43).

The main imported goods from according to the book of “Tbilisi Customs Deal” established in the XVIII century are the following: different types of brocade, “Bagrasta”, “Landara”, broadcloth, silk, cotton, “Khamkhalati”, furs, wool, various petty, dried fish, “Gulakburi”, salmon, sturgeon, rice, melted butter, honey, fat, “Khushkabari”, olive oil, salt, melon, watermelon, cucumber, alum, iron, horseshoe, indigo, button and copper, rubia, tobacco, leather. The above goods were brought to the city by camels, horses, bulls, donkeys. The levy was mainly based on this.

There were customs in the Georgian cities of the late Feudal epoch. They were not only collecting

customs duties but also checking the imported and exported goods. All unauthorized goods had be seized by confiscation. The customs officer letting the unauthorized goods pass was paying a hefty penalty in excess of 7 times the value of the banned goods. (Meskhia, 1982:457)

It is interesting that any kind of levy (taxable value) was evaluated by two Chancellors (“Mdivanbegi”), administrative and military officer (“Mouravi”), vicegerent and two representatives of merchants, at the same time, collection of the customs duties was leased to the individuals.

The system of taxes in late Feudal Georgia did not exclude the self-conceit of the customs officers, which further exacerbated the customs burden and negatively affected the development of economic relations.

Table

Customs duty on some types of goods

№	Type and quantity of goods imported or exported	Amount of customs duty		
		By the statute of 1639 (Kop)	By „Dasturlamala”	By the statute of 1736 (Kop)
1	Rice	0,5	-	1 Kop
2	Melted butter, honey, fat, “Khushkabari” (“Sapalne”), at about 147 kg.	1	1	1 b, 1 f (2,5k)
3	Horseshoes and nails and iron (“Sapalne”)	1	-	-
4	Melon and watermelon (“Sapalne”)	-	-	1
5	Fruit (cartload)	-	-	1
6	For every 100 sheep for sale	10	10	-
7	Cheese (“Sapalne”)	0,5	-	-
8	Salt (“Sapalne”)	0,5	0,5	1
9	Cotton (“Sapalne”)	2	2	-
10	Tobacco (“Sapalne”)	2,5	0,5	-
11	Silk (“Sapalne”)	5	5	5
12	Brocade „Bazirgani” goods (“Sapalne”)	2,5	0,5	2,5
13	Fish (dried, salmon, sturgeon) (“Sapalne”)	2	2	2

14	Cucumber (“Sapalne”)	-	-	4 pieces
15	Leather (“Sapalne”)	-	-	2
16	Rubia (“Sapalne”)	-	-	1
17	Salt	0,5	0,5	1

Establishment of customs duties in Tbilisi: Meskhia, 1982:328)

1. Dagestani people did not pay taxes on the export of Burka, broadcloth, “Sharuli” but if anyone buys their goods and exports them anywhere, they pay the duty in amount of 20 kopeks per Burka and the amount of the customs duties for the guards depends on the amount of “Sapalne”.

2. The customs duty for exported trousers consisted of 2.5 kopeks, and the tax in favor of the guards was paid in the light of the number of “Sapalnes”.

3. The customs duty in amount of 1 Ruble was set for exported honey, butter of cow milk and fat, while the amount in favor of the guards consists of 30 Kopeks.

4. The customs duty for the exported furs was the single part of the duty, while the amount of tax for the guards depended on the amount of “Sapalnes”.

5. The customs duty for the imported “Sapalne”, underfur consists of 4.6 Rubles and the tax belonging to the guards.

Georgian educationalists and patriots of XIX century were distinguished by special approach towards the need and importance of export. Turning Georgia into a Russian colony has dramatically changed the situation. Russian customs policy in Georgia served more political goals than economic ones. Since 1831, Russia has introduced a special provision on the “settlement of trade and customs

in the Transcaucasia”. This document abolished payment of the “Rakhtar” (customs duty) on import of goods, which gave the Russian products a greater advantage over the Iranian and Turkish products on Georgian market. Russia has also imposed a "special fee" on the taxpayers and travelers coming from Georgia to Vladikavkaz and vice versa, which was paid by Armenians and Georgians only. This kind of customs duty was very hard to pay by people with less opportunities. (Gugushvili, 1979: 42)

The choice between protectionism and the development of free trade in Georgia is historic and originates from the 80s of XIX century. Ilia Chavchavadze first responded to this topic and gave preference to the open market. He said: "It is better for the country, for everybody, to have the equally open market to buy everything from those who have better and cheaper goods without regard to whom you are buying from" (Chavchavadze, 1987:56)

Ilia Chavchavadze considered participation in the international division of labor as the precondition of success in development of Georgia. Although the protectionist policy was favored in the Europe of that period, according to Ilia “it was doomed and rejected by the science” (Chavchavadze, 1956:322)

Ilia believed that the penetration of Georgian products into the Russian market would have an impact on the Georgian economy and prestige: “It is our state interest the landowners to choose this new path and direction, prepare for Russia what Russia does not have and take what Russian cannot even sell off”.

Ilia Chavchavadze believed that trade does not create wealth, but points to the major role of commodity circulation in development of society, distribution of goods and the transfer of goods produced through it to consumers. Ilia was the follower of free trading and believed that the exchange of goods should be exempt from customs duties and taxes. He is against of "protectionism". If such a policy is designed for the long term, it is lost from the very beginning. Ilia considered us to enjoy a comparative advantage and export to Russia a product we could produce cheaply and import bread that would cost us a lot of money to produce. (Tsetskhladze, 2018: 442)

Niko Nikoladze is cautious about his attitude towards foreign trade. If in the trade relations between two countries, one has low education, technological know-how and has no factories and the other is higher in this respect, then the first country will almost always bargain away its products - raw materials and materials to the other, which produces products from them and sells to the first country. (Tsetskhladze, 2018:449).

N. Nikoladze, studying and analyzing the history of Georgia, presented the reasons of interruption of the socio-political and socio-economic development of the country and accordingly provided us with adequate recipes for their improvement. With revival of the Poti port, Niko opened the window to the future Georgia in the Europe. He has been the head of the city Poti for almost 20 years; he has increased its budget 10 times, making Poti a real city.

He did his utmost to develop the Tkibuli coal mine and the Kutaisi-Tkibuli railway section, to raise Chiatura manganese production to industrial and export levels to install the Shorapani-Chiatura railway, thus facilitating the rapid shipment of manganese and decrease of its price.

N. Nikoladze, prior the prominent economists, has put forward and substantiated the need for moderate, specific intervention of state in economic life at is of great methodological importance for the modern Georgian state, as well as the thesis that "until we have more (to be imported) than to be exported - we cannot avoid slavery." (Shubitidze, 2013: 23)

In the following period, the Russian occupation of Georgia deprived the country of independent foreign trade. Georgian products were exported to the USSR and vice versa, products produced in those countries were imported to Georgia. The USSR, headed by the Russian Soviet Federative Socialist Republic used to export products manufactured in its republics by itself and distributed the imported goods from foreign countries to the allied republics.

Conclusion

Formation of foreign economic relations was related to the development of the country. In a rural relationship, we have an accidental nature of foreign relations and chaotic attitude. Under the conditions of late feudalism, there is already an attempt to regulate export-import operations. However, since the loss of independence in 19th century there is the conflict of interests between Russia, Iran, England and Germany in Georgia. The strongest, though, is the influence of Russia and its presence in the orbit determines export incentives and regulations.