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GOVERNMENT PROGRAM 2021–2024 “FOR THE CONSTRUCTION OF THE EUROPEAN STATE” AND THE ROLE OF INTELLECTUAL PROPERTY AND INNOVATIONS IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY

Abstract. In December 2020, Georgia adopted the government program 2021–2024 “for the construction of a European state”. In accordance with the main vision of the program, the construction of the state of Georgia is based on the main democratic principles and values. It serves the full integration of Georgia in the European and Euro-Atlantic space.

The topic of economic development occupies a special place in the program. However, it hardly mentions the importance and impact of intellectual property and innovation in these processes, which is clearly a shortcoming.

Keywords: Intellectual Property, Innovation, Government Program, Economic Development, European Integration.

In 2021–2024, the efforts of the Government of Georgia will be directed to the following four key areas: 1) foreign policy, security, conflict resolution and human rights; 2) economic development; 3) social policy and human capital development; 4) State governance [1].

I would like to note that, unlike the 2018–2020 government program, in the key directions part of the current document, there regrettably is no mention at all of the intellectual property and innovations [2].

In particular, in the 1st direction concerning Georgia’s being on the path of European and Euro-Atlantic integration, the component of full-fledged integration into the European Union is given a special importance. It is noted that the country will activate the individual directions of the integration agenda which are given in the EU integration road map. In terms of the effective implementation of the Association Agreement and in accordance with the component of the deep and comprehensive free trade space, it is particularly important to continue work towards the integration into the European single market.

I believe that the full implementation of the above-mentioned documents will be impossible without protection of the intellectual property and innovations that ensure the success of both foreign policy and security as well as economic development directions. In addition, when the government document speaks about the necessity of deepening cooperation with the EU in the fields of security and defense, sectorial integration, involvement in EU programs and cooperation with specialized agencies, it is clear that the emphasis must be made on the intellectual property objects and in particular on the role which will be assigned to intangible assets and innovations within the above-mentioned cooperation, as well as in identifying new opportunities within the framework of the “Eastern Partnership” (EaP) and in components that ensure the provision and effective implementation of these opportunities [3].

Chapter 2 of the government program on “Economic Development” states that the country’s economic policy is aimed at maintaining stability and further development of the business and investment environment. The program is based on free market

principles where the private sector is the main driver of the economy.

As it is stated in the government program, the goal of the economic policy will be to maximize the use of new opportunities for the further development of the country. In my opinion, both the growth of domestic investments and the attraction of foreign investments may be to some extent related to the process of creation and development of new innovative enterprises in Georgia, integration of these enterprises in the alliances of foreign enterprises and ensuring production of patent-protected products that enjoy demand.

It is obvious that this will necessarily require the structural transformation of the economy as well as the maximum involvement of the economic factors, and what is also important, inclusion of the state-owned resources into economic activity. I think that in this regard we should first of all use the intangible assets that owned by enterprises – patents, licenses, other relevant technological improvements and bring them up to the condition so that they can be taken to the EU market by 2024.

According to sub-chapter 2.1 of the document, the framework of the economic policy provides for the exit from the crisis and rapid economic development.

It should be noted that due to the global nature of the crisis, the situation on the export markets has significantly worsened as a result of which the volume of exports from Georgia has accordingly decreased. In this situation, it is important to: improve the regional and international competitiveness of the country; support competitive local production and export; promote the investments. In my opinion, competitiveness can be improved through the active use of intangible assets since as the international practice shows, the investor tries to invest resources into profitable, promising productions, the technologies of which are protected by a patent packages. Similarly, export-oriented products can be promoted only in the case when the globally innovative and patently clean new product, protected by relevant

protective documents, is placed on the market. In the post-pandemic period, there will obviously take place the fiscal consolidation and cost optimization processes.

What concerns the requirement that the selection will be made based on the high degree of economic effectiveness of the product and the fact that the financing will be carried out through the wide implementation of the public investment management (Product information management, PIM) tool (by 2024, 100% of the investment projects implemented from the budget will be covered by this tool), it is apparent that to ensure this provision, enterprises will have to move to a qualitatively new level of technology, which, I think, is impossible without the creation of intellectual property products and their legal protection as well as the establishment of tax benefits and the improvement of the administering system [4].

As practice shows, state funds are used relatively less efficiently within the framework of the implemented state programs. This is confirmed by the analysis and evaluation of the results of mass bankruptcy and liquidation of state enterprises which was conducted for the purpose of determining their effectiveness.

In my opinion, during implementation of a large-scale reform of state enterprises, when making strict prioritization of capital projects to determine the most optimal volume of capital investments, in order to ensure the effective management of public finances, there should be conducted a new process of inventory of intangible assets and if they are identified, to add them to the organization's assets. Also it should be analyzed as how much were justified the facts of non-use or only partial use of the intellectual property objects attached to the enterprise, as well as the facts of premature refusal of the patent and non-payment of the annual state duty. The above is also important when planning the investment policy all over again, which should be based on an aggressive campaign model and concern both the attraction of regional offices of international companies and the encouragement of investments in the real sector of production. The same

applies to the further improvement of sovereign ratings to enable the achievement of an investment grade credit rating (BBB-/Baa3) [5].

Conclusions:

1. The government program 2021–2024 for “building a European state” hardly mentions the importance of intellectual property and innovation, which is clearly a shortcoming.

2. In terms of the effective implementation of the Association Agreement, it will be particularly important to continue working towards integration into the European single market, according to the component of the deep and comprehensive free trade space. The full implementation of the mentioned documents is impossible without intellectual property and innovations, which define and ensure the directions of economic development and their success.

3. When engaging in sectorial integration and EU programs and cooperating with specialized agencies, attention must be definitely focused on intellectual property objects, on the role that will be assigned to intangible assets and innovations within the above-mentioned cooperation, as well as in the framework of the “Eastern Partnership” (EaP) in finding new opportunities and within the components that ensure their provision and effective implementation.

4. The growth of domestic investments and attraction of foreign investments are to some extent connected with the process of creation and development of new, innovative enterprises in Georgia, as well as their integration in the alliances of foreign enterprises and ensuring the production of a patent-protected products that enjoy demand. In this regard it is necessary to maximize the inclusion of state-owned resources into economic activity. First of all, we should use the intangible assets owned by the enterprises – patents, licenses and other relevant technological improvements and bring them up to the condition that will enable to take them to the EU market by 2024.

5. The framework of the economic policy provides for the exit from the crisis and rapid economic

development. Due to the global nature of the crisis, the situation on the export markets has significantly worsened and exports from Georgia have decreased. Competitiveness can be improved based on the active use of intangible assets. The investor tries to invest resources in profitable, prospective productions, the technologies of which are protected by a package of patents. In addition, export-oriented products can be promoted only if the products that are present on the market are globally innovative and patently clean new products, protected by relevant protective documents.

6. In the post-pandemic period, the process of fiscal consolidation and cost optimization will take place. The selection will be based on products providing for high economic impact and the financing will be carried out through the widespread implementation of the public investment management (Product information management, PIM) tool. To ensure this, enterprises will have to move to a qualitatively new level of technology, which is impossible without creating intellectual property products, ensuring their legal protection, establishing tax benefits, and improving the administration system.

7. Within the framework of the implemented state programs, state finances are used with relatively less efficiently, which is evidenced by the fact of mass bankruptcy and liquidation of state enterprises.

During implementation of a large-scale reform of state enterprises, to determine the most optimal volume of capital investments when making strict prioritization of capital projects to determine the most optimal volume of capital investments, in order to ensure the effective management of public finances, there should be conducted a new process of inventory of intangible assets and if they are identified, to add them to the organization’s assets.

8. During the implementation of the large-scale reform of the state enterprises, it should be analyzed as to what extent were justified the facts of the non-use (or only partial use) of the intellectual property objects attached to the enterprise, as well as the facts

of early refusal of the patent and the non-payment of the annual state duty. The above is also important when planning the investment policy all over again, which should be based on an aggressive campaign model and will concern the attraction of regional

offices of international companies and the encouragement of investments in the real sector of production. A further improvement in sovereign ratings is required to enable the achievement of an investment grade credit rating (BBB-/Baa3).

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