

GEORGIA IN THE EUROPEAN UNION'S EASTERN PARTNERSHIP COUNTRIES: HISTORICAL ASPECTS AND CHALLENGES

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Abstract

The Eastern Partnership is a joint initiative involving the EU, its Member States and six Eastern European Partners. The Eastern Partnership aims at deepening and strengthening relations between the EU, its member states and six of its eastern neighbor countries.

Georgia is actively involved in the projects of Eastern Partnership countries. The work reviews indicators and peculiarities of social economic development of Eastern Partner Countries. These countries are actively trying to facilitate further integration into the Global Economy. The presented work has studied a number of topical issues including socio-economic development of Eastern Partner Countries, Cross Domestic Product (GDP) of member countries, Cross Domestic Product per capita, foreign trade of member states and trade with EU. There is a conclusion, that Georgia can be one of the most successful and advanced countries among Eastern Partners. However, Cross Domestic Product per capit in Georgia is significantly lower than in other countries of European Union. A significant indicator is an unemployment rate, which is much higher in Georgia than in the European countries. Without improving these two indicators, it is impossible to get full access to the EU as well as obtain a priority in this direction.

Keywords: *Georgia, Eastern Partnership countries, foreign trade, GDP, economic integration.*

JEL Classification: *F15, F36, F55*

I. INTRODUCTION

The last expansions of European Union (2004 2007, 2013) is focused on enhancing successful Integration Community as well as helps them to make new effective steps to develop economy, security and stability in the world and especially on the European continent. The EU has been trying to hinder creation of a new dividing line in Europe as well as has been facilitating stability and well-being in the territory bounded by a new boundary and beyond it.

The Eastern Partnership is an initiative of the EU countries including Sweden and Poland. The Eastern Partnership has created a new framework for EU relations with six countries including Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It should be noted that the participants of the Eastern Partnership are post-Soviet countries.

In May 2009, the EU Eastern Partnership summit was held in Czech Republic where a joint declaration was adopted. The European Commission published Communications on Eastern Partnership on December 3, 2008 and was approved on 19 March 2009 at the European Council Meeting. The EU's cooperation with Eastern Partnership countries is carried out in various forms and it includes many of the economic development, including the Association Agreement (Putkaradze, 2010, 2012, 2015, 2016; Putkaradze, Chania, 2018).

The Eastern Partnership initiative does not consider the possibility of future membership in the EU, but will significantly facilitate integration processes both in bilateral and multilateral format. It will give Georgia the possibility for both further rapprochement with the EU and deepening relations between the sides. The Partnership provides for the prospect of the Association Agreements between the EU and the Eastern Partnership countries, as well as establishes wide and comprehensive free trade and simplified visa regime agreements with the EU.

II. THE EASTERN PARTNERSHIP COUNTRIES: ESSENCE AND GOALS

It should be noted that "Eastern Partnership" is not an alternative to the prospect of membership in the EU, but it contributes to deeper integration of partner countries, the spread of shared values, security in the region and economic development through regional and bilateral cooperation.

According to the document developed by the European Commission, the main purpose of the initiative is to promote the implementation of the European Neighborhood Policy in relation to EU Eastern Partnership countries, but this initiative goes further and offers partner countries to concrete prospects for more closer relations with the EU. The partner countries offer lots of possibilities of political and economic conditions to its partner countries, as well as takes into account the process of reforms;

The European Union provides the Eastern Partners with significant funding, which contributes to the implementation of the economic reforms of the Member States and enhances the process of integration with the EU.

The main objectives of the Eastern Partnership are the following: 1. to constitute a plan of reforms that will bring the partner countries closer to the EU. 2. to support stability, economic development in partner countries as well as facilitate the gradual integration of the six partner countries into the EU economy. These countries are actively trying to strengthen trade-economic ties with member states of the of the International Community, especially with the European Union.

It should be noted, that recently Georgia has made significant progress on the path of economic integration with the EU. Three of the six countries - Georgia, Moldova and Ukraine have signed an Association Agreement with the European Union. In the beginning of 2017, the EU and Armenia have completed negotiations on a comprehensive and enhanced cooperation agreement. The EU and Azerbaijan have been negotiating a new comprehensive agreement.

The third Eastern Partnership summit was held in Vilnius, Lithuania on 28-29 November, 2013, where was initiated the EU-Georgia Association Agreement, including the Deep and Comprehensive Free Trade Component. The Association Agreement between the EU and Georgia was signed in Brussels, on June 27, 2014. By the end of 2015, the process of ratification of Georgia-EU Association Agreement by EU Member States has been successfully completed and on 1 July 2016, the Association Agreement between Georgia and the European Union entered into force.

Visa-free regime represents an important step forward European integration of the country. Moldova was the first of the Eastern Partnership countries, launched a liberal visa regime with the EU. Moldovan citizens can travel to Schengen countries (without a 90-day stay) without prior visa. Another success that Georgia has achieved is the amendment to EU Regulation, which was published in the EU official magazine, on March 8, 2017. According to the amendment, visa free travel came into force for Georgia and Georgian nationals with biometric passport can travel visa-free to the countries of Schengen Area including 22 EU member states, EU 4 non-member states and 4 candidate countries of Schengen. They can stay for 90 days in any 180-day period.

Georgia should maximally use the possibilities of trade-economic integration with the EU. Georgia has been trying to establish its own place in the European family and our ultimate goal is the EU membership. A large part of the population of our country considers that they are an integral part of the European space. We believe that among Eastern Partnership countries, Georgia can be the first, granted status of candidate country by EU.

On November 24, 2017, Eastern Partnership Summit was held in Brussels (Papava, 2018). EU member states and six Eastern Partnership countries planned methods for further cooperation and collaboration. In order to support Eastern Partnership approach, the EU has developed 20 major goals by 2020. The cooperation was based on the following major priorities: strong economy, promotion of economic development and use of market opportunities, strong connections and strong society. The strong economy includes the following objectives: improving investment and business environment as well as growth of small and medium enterprises. The strong economy needs to identify and remedy existing gaps in spheres of financial access and its infrastructures (Gogolashvili, 2018).

III. THE MAIN ECONOMIC INDICATORS OF GEORGIA AND THE EASTERN PARTNERSHIP COUNTRIES

According to the data of 2016, 71.1 million people live in Eastern Partnership countries, which is 14.1% of the EU population (see Table 1). In these countries most of the population lives in Ukraine, Azerbaijan and Belarus. Also we must mention that these countries have quite big territories. The population of Georgia is 5.2% of the total population of the Eastern Partnership Member States. This is a 0.73% of EU population. As for the area of the above mentioned countries, it is not small and makes up more than 23% of the total area of EU countries.

Table 1: Eastern Partnership countries, Key indicators, 2016

	Population (thousand persons)	Total area (sq.km)	2016		
			Total (EURO billion)	Per capita	GDP (EU GDP)
Georgia	3 720,0	69 700,0	13,0	3 484,0	0,09
Armenia	2 999,0	29 743,0	9,6	3 192,0	0,06
Azerbaijan	9 706,0	86 600,0	34,2	3 549,0	0,23
Belarus	9 498,0	207 600,0	42,9	4 511,0	0,29
Moldova	3 553,0	33 846,0	6,1	1 722,0	0,04
Ukraine	42 591,0	603 549,0	84,2	1 974,0	0,56
EU-28	510 279,0	4 460 000,0	14 907,9	29 200,0	

Source: Statistics on European Neighbourhood Policy Countries: East. Eurostat. Luxembourg: Publications Office of the European Union, 2018.

The gross domestic product (GDP) is one of the key indicators describing both social-economic development and living standards of the country. Accordingly the GDP per capita shows the level of economic development of the country. So Georgia is facing the challenge - from the status of developing country it must get closer to developed countries. Many countries of the international community were able to achieve this due to the impressive growth of GDP. GDP volume and GDP per capita in Georgia is lower than the same indicators in EU member countries. [10].

According to official data of 2016, GDP in Georgia averaged 13 billion euros and GDP reached high of 3484 euro per person which was a great increase in comparison with previous years, but this indicator is much less, than the same indicator of advanced European countries.

The GDP per Capita in Georgia is equivalent to 11, 9 percent of the EU average. In 2016, GDP per capita in Georgia, exceeds the same indicator of three countries including Armenia, Ukraine and Moldova. It should be noted, that by 2014, the mentioned indicators of Georgia were higher compared to the same indicators of Armenia. In 2014, in Georgia there was held a general census of the population and according to obtained data, the population of the country was 15%, which was less than the data compared to previous year. Therefore the fact increased GDP per capita. For international comparisons we will discuss the average of both Eastern Partnership countries and the EU. According to the data of 2016, the volume of GDP in the Eastern Partnership Countries was equivalent to 190 billion euros. This is equivalent to 1,2% of the EU average.

These countries have a strong economy including Ukraine (84.2 billion euros, 2008 -128.5 billion euros), Belarus (42,9) and Azerbaijan (34,2). GDP in Georgia is equivalent to 6,8% of the partner countries' average and 0.1% of EU. GDP. The GDP per Capita in Georgia is significantly lower than EU countries average. In this regard the most important is an unemployment rate. In Georgia the unemployment rate is much higher than the average European rate. Without improving these two indicators, it is impossible to become a member of EU.

Table 2. GDP, (billion EUR), GDP per capita (EUR) and Real change in GDP, 2006 and 2016

	GDP Total (EURO billion)		GDP Per capita (EURO)		Real change in GDP, %	
	2006	2016	2006	2016	2006	2016
Georgia	6,2	13,0	1 406,0	3 484,0	9,4	2,8
Armenia	5,1	9,6	1 582,0	3 192,0	13,2	0,2
Azerbaijan	16,7	34,2	1 969,0	3 549,0	34,5	-3,1
Belarus	29,4	42,9	3 066,0	4 511,0	10,0	-2,6
Moldova	2,7	6,1	757,0	1 722,0	4,8	-0,4
Ukraine	89,2	84,2	2 779,0	1 974,0	7,6	2,3
EU-28	12269	14 907,9	24 700,0	29 200,0	3,3	2,0

Source: Statistics on European Neighbourhood Policy Countries: East. Eurostat. Luxembourg: Publications Office of the European Union, 2018.

IV. FOREIGN TRADE OF EASTERN PARTNERSHIP COUNTRIES. TRADE IN GOODS BETWEEN THE EU AND EASTERN PARTNERSHIP COUNTRIES

The Eastern Partnership is an initiative of the European Union. We consider it would be interesting to analyze the dynamics and trends of trade cooperation between these countries and the EU. Economic integration is unimaginable without trade integration. In 2016, export volume of Georgia amounted to 1909 million euro and import of goods was equivalent to 6590 million euro. Georgia has the highest negative trade balance compared to the other countries of Eastern Partnership. The export-import coefficient of Georgia constituted 29%, the same coefficient of EU equivalent to 101,9%, Azerbaijan -107,2, Ukraine - 92.6%, Belarus - 85.3%.

Table 3: International trade in goods, 2006 and 2016 (million EUR)

	Export		import		Trade balanse		The coverage ratio of imports by exports	
	2006	2016	2006	2016	2006	2016	2006	2016
Georgia	746	1909	2827	6590	-2081	-4681	26,4	29,0
Armenia	772	1606	1674	2890	-902	-1284	46,1	55,6
Azerbaijan	6372	9143	5267	8532	1105	611	121,0	107,2
Belarus	15720	21271	17805	24951	-2085	-3680	88,3	85,3
Moldova	835	1849	2137	3635	-1302	-1786	39,1	50,9
Ukraine	30558	32850	35870	35459	-5312	-2609	85,2	92,6
EU-28	1152485	1744558	1368254	1712556	-215769	32002	84,2	101,9

Source: Statistics on European Neighbourhood Policy Countries: East. Eurostat. Luxembourg: Publications Office of the European Union, 2018.

The EU revised the European Neighbourhood Policy (ENP) in 2011, establishing instruments to provide more support to partner countries building deep and sustainable democracy as well as strengthen the social economy supporting inclusive growth. The ENP aims to enhance both political association and economic integration and the mobility of people, to develop more EU financial assistance and establish both stronger partnership with civil society and better cooperation on specific sector policies.

Eastern Partner Countries established instruments to provide more support for closer trade-economic cooperation with the EU. General DATA on FOREIGN TRADE of GEORGIA and data on trade with the European Union are presented in tables. Main feature of foreign trade of Georgia is a negative trade balance.

In 2016 Georgia's foreign trade turnover with EU countries amounted to 2518 million Euro, including exports of 517 million. Euro (27% of total exports) and imports amounted to 2001 million. Euro (30% of total imports). we must mention that the trade turnover of Georgia with the EU is low. In 2006- 2016, Georgia's trade turnover exceeded to the similar indicator of Armenia. According to the total volume of trade in goods between Eastern Partnership countries and EU, the export-import indicator to Georgia is the lowest at 25.8%, to Azerbaijan - 185.1%, to Ukraine - 10.6%, to Belarus - 10.2%, to Armenia - 68.2% and to Moldovan - 67.6%.

Table 4. Trade in goods with the EU-28, 2006 and 2016 (million EUR)

	Export to the EU-28		import from the EU-28		Trade balanse wich the EU-28	
	2006	2016	2006	2016	2006	2016
Georgia	179	517	891	2 001	-712	-1 484
Armenia	375	438	549	642	-174	-204
Azerbaijan	2 905	3 567	1 295	1 927	1 610	1 640
Belarus	7 258	5 111	4 028	4 988	3 230	123
Moldova	426	1 205	967	1 783	-541	-578
Ukraine	9 752	21 599	15 928	20 234	-6 176	1 365

Source: Statistics on European Neighbourhood Policy Countries: East. Eurostat. Luxembourg: Publications Office of the European Union, 2018.

Eastern Partner Countries have close trade-economic relations with the EU, and therefore a large portion of their goods and imports come from the EU. Georgia must prioritize exporting as well as should develop import with domestic production (Basilia, Silagadze and Chkhikvaidze, 2001). It is necessary to reduce Georgia's negative foreign trade balance as well as increase the volume of export. In turn, Export growth is a basis for economic development.

V. CONCLUSION

Georgia aims to derive more appropriate indicators to reflect real, sustainable economic welfare, social development as well as draw closer to the economic development indicators of the European countries. We consider that it is a very difficult and distant task but it is achievable.

For this reason, it is necessary to increase Georgia's economic growth rate as well as try to be a leader among Eastern Partner Countries;

The initiative of EU Eastern Partnership promotes both the further integration of member states with the EU and socio-economic development of member states.

Eastern Partner countries have a common communist past;

It is desirable to resolve timely the existing statistical discrepancies with the trade data of the EU and Georgia and with other countries of partnership, which will enable us to represent more realistic cooperation

Among Eastern Partnership countries Georgia has the highest negative trade balance and the lowest export-import coefficient;

Three from the Eastern Partnership countries (Georgia, Moldova and Ukraine) have signed the Association Agreement with the European Union

Georgia has also achieved success in terms of visa liberalization with the European Union;

As a result of successful economic reforms, among the Eastern Partnership countries Georgia can be the first candidate country; granted by the EU.

No member of the Eastern Partner countries is NATO member country. The fact is that there is no direct connection between the EU and NATO, but as a result of recent enlargements it became clear that the country will become a NATO member until it becomes a member of the EU. Georgia should continue its further integration with the EU as well as must increase trade-economics cooperation with the EU and member states. Eastern Partner Countries should continue to develop their economy as well as facilitate further integration with the European Union and the international community.

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