

**Akaki Tsereteli State University Business,
Faculty of Law and Social Sciences**

With handwriting right

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**Economic problems and perspectives
of European Integration**

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Dissertation actuality. After the collapse of the Soviet Union a new era started in history. The formation of new geopolitical areas embraced the former Soviet republics. These areas had their geographic contours yet in the Soviet Union's existence, and they were based on economic zoning, which was determined by the administrative - territorial organization.

After the so-called "Rose Revolution" in 2003, in Georgia has been carried out Economic Reforms, In respect of which, Georgian society, among them, economists have ambiguous attitudes. Interest in these reforms is too large for the narrow circle of professionals and for the whole society. Present work is an attempt to generalize the contents of the current reforms and reveal the main trends that are characteristic for post-revolutionary development, on the one hand, and on the other hand, to determine the country's economic development strategy and its relevance to European integration prospects.

These issues are extremely important for our country that determines the problem's actuality.

The purpose of the study, the main goals, subject and objects. Research aim is to understand some of the region's geopolitical and geo-economic approaches based on descriptive method regardless of what the goals have global or regional forces in Georgia.

To achieve these goals during the research process is formulated the following main tasks:

- To research Georgian economic system and priorities;
- To discuss the economic and social standards of the European Integration process and their relevance to the current situation with;
- Determination of achievements, deficiencies and challenges of European integration process in Georgia.

Scope of research is the study of economic problems and prospects, which stands in front of Georgia in geopolitical and geo-economical aspects. In particular, thoroughly are discussed the following issues:

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- The importance of the European integration process in parallel with other regional forces;
- What is the Georgia's historical experience in this regard?
- What are the perspectives in the conditions of 2013 year?

Research Object is to study Georgian geo-economical data from the last ten years, with the countries of the South Caucasus and adjacent regional powers, for the purpose of determination further development priorities.

The main results of the work and scientific innovation. The historical process of the last decade shows that the EU's interest in the Caucasus region's geopolitical vision is dictated by inertia. In geopolitical terms, The Caucasus is a unique niche in a heartland's closed space to open the shortest trade route to Asia. Caucasus is interesting not only as a market out as an outgoing way to the resource-rich markets of the middle east and south East Asia. Therefore, the promotion of democratic processes and economic reforms, as well as the establishment of international trade rules in the region is a primary task.

The EU pays great attention to ensure smooth transportation of energy resources from the Caspian Sea basin to Europe. On the other hand, is very important for Georgia Russia's policy. The starting point for Russia is the Geo-strategy, which ensures the protection of its controlled space. As for Georgia's deepening economic ties and development of the of transport and communication infrastructure, Russia is opposed to these processes. Recent events have raised the hope and expectation that the strained relations between the two countries will be alleviated, which should find an impact in the economic and cultural relations.

Europe's crisis is the most significant event after the 2008 financial crisis. Significant threat to the idea of European unification Encountered After 2008, when the European experiment appeared unstable properties, when emerged the European experiment's unstable characteristics. Almost no doubt that Europe is completely different in 2013 compared

to 2007 Europe. Contradictions of the European economy are already obvious.¹

Due to the complex reality, also under question further enlargement of the EU in the coming decade. Georgia's current economic and political reform study showed that reforms often did not conform to the requirements of the action plan was recommended. Despite the successes, Georgia faces a number of tasks, Solution of which requires time and the necessary condition is rapprochement with the European standards. Thus, the main scientific novelty of qualification work is generalization Georgia's economic and political reforms in the last 10 years of and the formation of the appropriate conclusions in order to determine Georgia's geo-economic integration's real possibilities with Europe. In addition, the current economic and political processes in the EU have shown that the reality does not yet allow making conclusions in favor of further enlargement.

Practical importance of the research and realization. The findings and recommendations can be used in the political and economic tasks to resolve associated with the process of European integration. The main focus in the study is made how much taken course of Georgian Economic reforms bridges the gap with European economic model according to which the government claimed and claims as most priority.²

It appears that it is difficult to work on the criteria for EU candidate countries on the basis of "Partnership and Cooperation Agreement" within the framework of controlling bodies, and adopted texts beyond this framework, can be used to guide actions for just one side.

Work considers two examples of the evaluation of the reform in Georgia, which shows the deviation from the Action Plan: In 2005, the Law "On Free Trade and Competition", the main emphasis was placed

¹ Amadeo E. „Germany's Economy“ <http://useconomy.about.com/od/world/economy/p/Germany.htm>

² Papava V., Tokmazishvili M. "Becoming European. Georgia's Strategy for Joining the EU." Vol.53, No 1, January/February, 2006, pp. 26-32

on state assistance, however, was left without attention agreements which were harmful for consumers, transaction-oriented activities of a dominant position, and abuse of state-owned enterprises. In addition, the document was significantly restricting free trade and competition, and it had only the function of counseling and observation of the market. We think that these initiatives significantly contrary to the European Union - Action Plan.

What determines practical significance of the work is that it is:

Were studied recommendations presented by the Commission in 2003 - "Wider Europe - Neighborhood: A new Framework for Relations with our Eastern and Southern Neighbors"¹ implementation and its compliance with the initial expectations.

Have been analyzed in detail the Agreements of "Eastern Partnership" program, in particular: a "deep and comprehensive free trade: (" DCFTA ") and" visa facilitation ". In our opinion, it is necessary to negotiate with each of the scale and quality. It is necessary agreements on specific conditions, deadlines, criteria and transition periods. The research results can be used for higher education institutions teaching courses such as "Geopolitics", "geo-economics" and in more relevant fields as well as by state agencies and researchers.

Taken to protect provisions. Taken to protect results of the study include the following elements:

How much bridges the gap the course of Economic reforms carried out and specific economic model to Europe's economy which are the Government's top priorities.

In 2003, the European Commission's recommendation - "Wider Europe - Neighborhood: A new Framework for Relations with our

¹ Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and Georgia or the other Parts, European Commission, Brussels, 1999.

Eastern and Southern Neighbors"¹ implementation and its compliance with the initial expectations;

The geo-economic and geopolitical study and the comparative analysis show that we are dealing with completely different events. We represent and assert the idea that the united Europe might survive, but is likely the further expansion of the EU over the next decade, on the agenda will not be asked.

Author contributions. European integration is explored by the Georgian and (V. Papava, d. Katamadze, m. Tokmazishvili, N. Khaduri, N. Chikhaladze, A. Abralava, R. Putkaradze, M. Kakulia, T. Armania - Kepuladze, K. Gogolashvili T. Sengelia, E. Eteria G. Gvartadze, R. Namicheishvili, etc.) and foreign (Sebestien, Hirsch, Attali, Michie, Brakman, Yusuf, Stiglitz, Harris, Huntington, Ankerl, O'Loughlin, Fukuiama, Balcerowicz, Schuman, Miles, Friedman, Mathew, Socor, Haushofer, Rüttel, Mackinder, Peterson, Grae, Aslind, Harley, Smith, ASekarev, G. Gavrish, Dugin, V. Dergachyov K. Grigoryev, P. Kondratyev, A. Salihova, L. Shugart And so forth.) by scientist - economists and practicing researchers. However, in many works integration problems are discussed only in political and economic context, or even within a single country's economy.

Proceeding from the subject of the paper, we have an analysis of basic macroeconomic indicators, which are important information base for the assessment of country's economic situation, as well as studies and statistics, approaches and methodologies of various international organizations.

Particular attention was paid to the Inter-disciplinary research methods, which is expressed as an attempted synthesis of related social sciences such as economics, political science, history, geopolitics, geo-economics, etc.

¹ Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and Georgia, of the other Parts, European Commission, Brussels 1999.

The author's main contribution lies in the study of geo-economic integration and the deep analysis of the relevant recommendations. In the research process is used analysis, synthesis, graphics and economic - mathematical modeling, abstract - logical, relational, and economic - statistical methods.

By using these methods it was possible to determine the complex integration process and the development of a comprehensive picture of what has become a prerequisite for the development of the complex issue.

Approbation: The main provisions of the present work, suggestions and recommendations published in peer-reviewed and refereed journals and scientific - practical conference materials. An important part of the recommendations provided and discussed the scientific - practical conferences. Colloquium held twice in order to monitor and periodic assessment the work of PhD student (February 20, 2012, and June 21). The main Approbation of the work was held on the session of Faculty of Business, Law and Social Sciences, Economics and Tourism Department. (Protocol №???, 2013 December 26) where it was recommended for the public protection.

Publications. The main provisions published in the following publications:

About some aspects of important policy problems in macroeconomics. October 26-27, 2013. The University of Koblenz - Landau University (Germany), University of Integrated Management System: the European Union and the CIS - countries (INURE). International - practical conference on "Socio - Economic Development and Informatization of Modern Problems: New Challenges and Perspectives." Collection of Works, p.74, p.74

"Some aspects of the global political processes and Georgian geo-economic strategy." TSU, 1 December 2012. Georgia Political Science Association Conference, "and the contemporary political situation in Georgia"

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"Financial markets and the new political reality", October 20-21, 2012. The Kutaisi University and the Association of Young Economists. International scientific - practical conference "Problems of sustainable development: Realities and Perspectives" Collection of Works, p. 197-201.

"Geo politics and the Selection of Leaders in USA" ATSU, 5-6 October 2012. American Studies VI International Conference dedicated to the 110th anniversary of the birth of John Steibskis.

"Turkey, a regional power, geo-economic and geopolitical characteristics." Kutaisi, 5-6 November 2011. The Kutaisi University of Georgia. Scientific - practical conference "Modern Problems of Economics and Business and Development Trends" conference Collection of Works, P. 218-221.

"About Some experiences with Online Education-Training Program in Advanced Social Science Research" Fifth International Scientific - practical conference web - page "Internet and Society" inso -2011. <http://www.inso.ge> Conference Proceedings, p. 240 -243

"Postwar American Macroeconomic Performance in Historical Perspectives" Tbilisi, 12 November 2010. Collection of Works American International scientific - research conference. International Black Sea University and the U.S. Embassy in Georgia, p. 100-113.

"The Black Sea region's geopolitical and geo-economic importance for Europe and the U.S." 2010. V International Conference dedicated to the memory of Professor Vakhtang Amaglobeli Collection of Works in American Studies. Kutaisi, 2010, p. 420-427.

"Some Aspects of International Tourism Development." First International Scientific Conference - "Economic and Business of Tourism"- Collection of Works. Publishing house 'Universal', Trabzon, №№176-186, 2010

"Europe and Black Sea Region". Interuniversity Research - analytical magazine "Business and Management" № 2, Shota Rustaveli State University, Batumi, 2010, p. 102-106.

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"Georgia and the Black Sea region." 2010, December 18. II Republican scientific - practical conference - "Sustainable Development of the socio - economic problems" Collection of Works. The Kutaisi University of Georgia. P.171-174.

"Макроэкономический прогноз развития постсоциалистических пространств Черноморья и Кавказа". II International Conference Collection of Works, Pyatigorsk, Financial Technologies International Academy, 2009, p. 446-451.

"Economic Globalization and Georgia." Scientific - practical journal "Economic Profile" N 5, 2009, Art. , P. 29-31

"Innovative Regions in Europe and Georgia's development prospects in the global crisis." International Research Conference. Georgia Tech University, the "Financial - Investment Policy and Strategy Fund" Sukhumi University, Tbilisi, 2009. Publishing house "innovation.", P. 333-335.

Volume and structure of the dissertation includes a computer-printed 175 pages. It consists of an introduction, four chapters, paragraph 14, and the conclusions a literature list. The structure of the work has the following form:

Introduction

Chapter 1. Economic globalization, integration and modern approaches to the concept of regionalization

- 1.1. Georgia and Europe;
- 1.2. The interdependence of geopolitics and geo-economics;
- 1.3. Globalization and de-globalization of the modern world: Georgia - European Relations;
- 1.4. Stages of development of the theory of economic integration

Chapter 2. Characterization of Georgian economy

- 2.1. Legal regulation of the economy, reforms and policy;
- 2.2. The analysis of Georgian macroeconomic indicators;
- 2.3. Social and demographic situation in Georgia.

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Chapter 3. Regions and countries in the context of Georgian geo-economic environment

- 3.1. The EU geo-economical characteristics;
- 3.2. Turkey's geo-economical characteristics;
- 3.3. Russia's geo-economical characteristics;
- 3.4. Azerbaijan's geo-economical characteristics;
- 3.5. Armenia's geo-economical characteristics.

Chapter 4. Georgia in global economic developments and trends

- 4.1. International financial organizations and their role in global economic processes;
- 4.2. Georgia and Europe: aspects and perspectives of the political - economic relations.

Conclusions

References

Synopsis of the dissertation: In the first chapter of the dissertation "Economic globalization, integration and modern approaches to the concept of regionalization" discusses such important concepts of integration of countries and regions, As economic globalization and de - globalization, the concept of the regionalization, in the case of the South Caucasus, Georgia and Europe; geopolitics and geo-economics - the common and distinctive features of these sciences. In the modern world economy against the background of the ongoing crisis it seems of slowing down the pace of development of globalization. At the same time, globalization is seen as a major factor in determining the global economic crisis. Accordingly, analysis of aspects of the globalization, de - globalization and global regulation acquires particularly topicality. At this point, we consider it reasonable to outline between issues:

The idea about globalization is without an alternative;

The relationship between globalization and the nation-state;

Expanding or reduction of current international economic relations;

The socio - political organization reveal that the integration and de - integration, globalization and de - globalization exist in dialectical

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relationship with the parts and whole, individuality and whole. Centripetal and centrifugal forces are acting simultaneously. If the first forces create favorable conditions for the unified region, the second - on the contrary, ensure for its member states on necessity to protect the national interests. The power of stereotypes and traditions in the relationship of the countries are still strong and as from everything seems to be for a long time, if not forever will maintain its leading position. Tendencies have an equal right to exist - one tendency never will be filled by another, but they always will exist, and complement each other.

Nowadays, incredibly high quality of economic - political interdependence among countries, liberal approaches which are dominating in the developed and developing countries' foreign - economic policy and existing international economic relations (even if reduced) scale do not allow to confirm the de-globalization process.

On geopolitics formation as a full-fledged scientific discipline, significantly contributed German school officials, such as Haushofer, Ratzel, Makinder and others. J. Atali, the author of the concept of geo-economics, thinks that since the Cold War geopolitics has changed into the geo-economics and it is the main model of the contemporary international system.¹

Geo-economics is defined as a particular version of Geopolitics, which attaches priority not to the geographic, cultural, ethnic, etc. factors, but to the space-related economic realities.

In our opinion, the geo-economics is not International Political System Model resulting from the transformation of Geopolitics and not only Subfield of Geopolitics. This, on the one hand, would be simplifying of its essence and on the other hand, geopolitics as a science would lose its function. Economics and political science, despite the close connection

¹ Attali J. "Millennium: Winners and Losers in the Coming Order" (1992) <http://www.earthemperor.com/2208/12/08/millennium-winners-and-losers-in-the-coming-world-order-by-jacques-attali/>

with each other, have their own area of research. Also geopolitics and geo-economics have their own areas. However, they may have a lot in common, and form a unified communication space

The second chapter of the thesis describes the economy, the country's economic legislation and policy, economic reforms from receipt of Independence up to now; We conducted analysis of macroeconomic indicators, including year 2011. It is analyzed Gross domestic product on sector settings. We have discussed data based on the demographic and social situation in Georgia in recent years. Briefly it is analyzed the statistical data in the dynamics of the economy, the ten-year interval and shown the economic achievements and failures, their causes.

Table 1
Real GDP growth rate in 2008-2013

Real GDP growth rate (%)	2008	2009	2010	2011	2012	2013
	2.3	-3.8	6.3	7.2	6.1	(6 months) 1.9

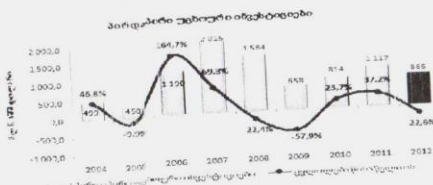
Source: National Statistics Office and the National Bank of Georgia (Chart compiled by us) <http://www.nbg.gov.ge/> and http://geostat.ge/cms/site_images/_Geo.pdf
Viewed 21.10.2013

Figure 1
The annual inflation rate in Georgia in 2010-2012



Source: National Statistics Office <http://geostat.ge> verified by us 21.10.2013

Figure 2
Foreign direct investment (2004-2012 years)



Source: National Statistics Office http://geostat.ge/cms/site_images <http://www.investinggeorgia.org/> verified by us 21.10.2013

The third chapter of the thesis is devoted to the geo-economic environment of Georgia - geopolitical and geo-economic consideration of regions and countries. Here are studied South Caucasus countries (Azerbaijan and Armenia) and they are compared with the corresponding characteristics; we have discussed Turkey, the country's South neighbor's geo-economic and geopolitical data and we have assessed this country's, as a growing regional power's role in the Caucasus and Georgia. Likewise are studied Russian's (northern neighbors') post-Soviet and the latest geopolitical and geo-economic trends. Particular attention is paid to the European Union's description of its genesis, developmental stages, characterization of the candidate countries and the countries in the neighborhood. Proposed the notion of how in reality can be considered the prospects of European integration.

Table 2
Georgia - Turkey trade turnover in 2004-2010 (Million U.S. \$)

years	2004	2005	2006	2007	2008	2009	2010 months
Turnover	321	404.9	647.94	899.68	1203.8	1014.23	587.3
Growth%	72.2	26.1	60.0	38.9	33.7	-15.7	-0.4
Share in%	12.9	12.1	13.9	13.9	15.9	18.4	16.7
Export	118.7	121.8	124.96	171.77	262.91	226.2	138.4
Growth%	50.4	2.6	2.6	37.5	53.1	-14.0	-3.5
Share in%	18.3	14.1	12.6	15.9	17.6	19.9	16.3
Import	202.3	283	522.98	727.91	939.37	788.03	448.9
Growth%	88.1	39.9	84.8	39.2	29.1	-16.2	0.6
Share in%	11.0	11.4	14.2	14.0	15.5	18.0	17

Saldo	-83.6	-161.2	-398.0	-556.1	-4560.4	-561.8	-310.5
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Source: http://www.mfa.gov.ge/index.php?sec_id=298&lang_id=GEU verified by us 21.02.2013

Table 3

Turkish investments in Georgia (Million U.S. \$)

years	2002	2003	2004	2005	2006
Volume	8,85	17,28	33,93	21,81	29,73
Growth%	4,6%	95,3%	96,4%	-7%	494,7%
years	2007	2008	2009	2010	2011
Volume	93,87	164,5	97,9	91,8	75,5
Growth%	-6%	75,27%	-40,5	-7,3	-7,76

Source: Ministry of Foreign Affairs web http://www.mfa.gov.ge/index.php?lang_id=GEU&sec_id=298 verified by us 21.02.2013

Table 4

European Integration Index for Eastern Partnership countries in 2012 May

	Georgia	Armenia	Azerbaijan	Belarus	Moldova	Ukraine
Connections	0,51	0,41	0,36	0,31	0,69	0,64
Approximation	0,6	0,59	0,44	0,31	0,65	0,57
Management	0,51	0,31	0,31	0,22	0,53	0,45

Source: Implementation of the European Neighbourhood Policy in 2012 Statistical Annex p52. http://ec.europa.eu/world/enp/docs/2013_enp_pack/2013_statistical_annex_en.pdf verified by us 21.02.2013

Conclusions and Key Findings

Our study has enabled us to present the following conclusions:

1. Georgian's state building, orientation, directions of foreign policy should be based on centuries Georgian national experience.
2. The declaration of Christianity as the state religion, completely answered the question related to Geopolitical orientation from historical point of view.
3. There is no alternative to economic liberalization, but without the appropriate market institutions only Liberalization will not ensure a harmonious development of economic system.
4. Georgia's economy after the crisis is marked by instability, which, in turn, is followed by a sharp fluctuation of financial stability.
5. The dynamics of foreign direct investment by years reflect what connection is there between political life, reforms, stability, and investment forecasts. In 2012, Georgia's foreign direct investment decreased by 28%. Because of the domestic capital market is still underdeveloped, Economic growth is largely dependent on external sources of financing, including foreign direct investment. Investments are used to finance large-scale infrastructure projects. Implementation of which with local banking sector funding would not be possible.
6. At the initial stage of transition period major concerns were: the region's rigid tax system, rampant corruption, excessive state intervention, undeveloped regulation base and weak legal structures. However, in the last ten years, Georgia by certain criteria reached impressive successes. The low level of foreign direct investment, maybe encourage the growth of domestic savings, and it will be added to the gross capital formation; Gross capital formation is positively correlated with the volume of foreign direct investment in the economy.
7. Large current account deficits (Currently 21.2% of GDP) we consider as the biggest risk. The deterioration of the global economy

The fourth chapter describes the global economic developments and trends, without which, in our opinion, it is impossible integration and cooperation. In particular, it refers to the relationship between international financial institutions such as the international financial system, international trade, and international organizations.

In the same chapter, it is shown how active is the European Union policy in the South Caucasus and particularly in Georgia; It is underlined importance of internal and external factors which play a significant role in the political and economic relations between the EU and Georgia. Conclusions Summarize the Georgian state's economic development strategy, its compliance with European standards. It also summarizes the process of European integration, achievements and shortcomings.

Table 5

Implemented funding envisaged by the Georgian national indicative program The period 2007-2013

	2007	2008	2009	2010	2011	2012	2013
envisaged by the program	24	28,8	30,4	37,4	30,7	61,8	67,7
Actually implemented	14,7	32,7	69	41,7	66,3	61,2	

Source: „Implementation of the European Neighbourhood Policy in 2012“ JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, Brussels, 2020.3.2013 Statistical Annex http://ec.europa.eu/world/enp/docs/2013_enp_pack/2013_statistical_annex_en.pdf p.48 verified by us 21.02.2013

could reduce exports, foreign direct investments and other capital flows.

8. We believe that fiscal consolidation is necessary in order to create the possibility of paying extra budgetary funds for the implementation of a larger movement on the global shock.

9. Resources, which budget includes and allocates cannot grow faster than the economy in general. In this context, the peak period of fiscal consolidation has been completed until 2008. It happened by improving to the tax administration both quantitative and qualitative. Clearly becomes obvious that the positive effects of economic growth is not evenly distributed among all social groups, which is characteristic of all transition economies in the early stages of development.

10. Although in 2010, the Georgian economy started to overcome the crisis, at the same time, the government continued disbursement of donor funds. In 2010, the national debt has increased; however, the annual debt service costs were low. The main part of the debt accepted with fixed interest rate, which indicates that the interest rate risk of the national debt is low.

11. In the next years economic results largely depends on strategic vision for economic development on the one hand, and on the other hand how the government will develop and demonstrates properly a country's niche in the Caucasus or in the region.

12. Although since 2008, Georgia has quickly managed to catch up quite a lot of countries by per capita GDP indicator, but it deepened social inequality. At this stage, radical improvement is only possible by overcoming social inequality with reforms in health, education and infrastructure areas.

13. Euro zone crisis can adversely affect transition countries' production levels by financial, trade and remittance channels. Georgia receives a large volume of foreign direct investments from EU countries (Approximately 60% of all foreign direct investment). Expected negative

developments in the euro area could cause a reduction in capital inflows or outflows of capital from Georgia.

14. Georgia is less integrated into the European market. Therefore, we believe that the country might be not to experience great pressure, however, would not be a slight impact in terms of trade and remittances (money transfers to Georgia, 21% are imported from countries in the euro zone). Thus, we expect that the IMF's initial forecasts for 2013 do not reflect the reality and they will change.

15. Attempt to implement macro-economic policies by establishing limits; we believe that this is a "rigid approach" to the problem, especially when it comes to dealing with the debt. In our opinion, to avoid economic fluctuations it is inconceivable without version, discrete economic policy.

16. The majority of EU member states, after the integration processes in the 2004 and 2007, expressed concerns about the next expansion. In 2004 emerged the concept of integration without expansion. This concept reflected in the European Neighborhood Policy (ENP) and subsequently in its regional adding, known as Eastern Partnership (EaP).

17. The ENP failed to meet expectations since 2004. As a result, in 2009 the European Union's Eastern Partnership program was developed as an additional eastern dimension of the European Neighborhood Policy. The Eastern Partnership is focused on the Eastern European 6 neighboring country. This group includes the 3 countries of the South Caucasus - Armenia, Azerbaijan, Georgia, as well as Belarus, Moldova and Ukraine.

18. Georgia has long-standing historical and trade ties with Turkey. Georgia proposes to create an alliance between the three Caucasian countries and Turkey. Georgia attaches great importance to cooperation with Turkey. Dynamic and productive relations between the two countries contributes to regional peace and stability. It is important

Turkey's support for Georgia's territorial integrity, as well as its role in the military reconstruction process.

19. Because Russia and Armenia do not have a common borders, Georgia plays a special role in the creation of a common economic space.

20. According to the International Monetary Fund's recommendations, for the immediate future the main challenges are: Further strengthening of investor's confidence. Reduction of public expenditures. In order to reduce the balance of payments' deficit exchange rate flexibility to ensure provision of capital inflows.

21. The main challenge for the medium-term is sustainable and inclusive economic growth to strengthen macroeconomic stability and economic competitiveness.

22. Billions of Euros spent by EU, some of the regional scale projects and assistance for the region's democratic transformation provides an important basis to conclude that the European Union was very active in the region. Moreover, the European Parliament by making a statement saying that the South Caucasus is strategic region for EU Common Foreign and Security Policy (CFSP) and the true gateway to the Middle East, showed that the EU attaches importance to strengthening relations with the South Caucasus.

23. The South Caucasus is considered as an example of what in scientific circles is known, "the discrepancy between expectations and capabilities" (Capability-Expectations Gap). EU officials have not yet determined its objectives in the region and continue the process of developing a joint strategy towards the South Caucasus. Instruments which European Union in the Caucasus using is only economic and diplomatic in nature, i.e., as it is called "Soft Power Approach".

24. We believe that the EU does not have a stable and coherent policy towards the region. Today against the background of political - economic development and implementation of South Caucasus's

"buffer" role, subsequently EU membership - is unlikely. To create the new buffer's probability is quite low.

25. In Georgia Eastern Partnership countries European Integration Index is slightly lower than in Moldova and far ahead of the South Caucasus countries, Belarus and Ukraine. Deep and comprehensive free trade agreement implementation process, Georgia has prepared a reform plan in priority sectors Such as technical barriers to trade, sanitary and phito - sanitary control, however, their adjustment, to a "deep and comprehensive free trade agreements' requirements, and, consequently, their implementation still remains a problem.

26. In our opinion, after the initiating Eastern Partnership agreement and after the signing this agreement, it will be possible without joining Georgia, economically and politically will be considered integrated into the European space.