

Consequently, leaders employed in Georgian public agencies should provide some kind motivation for the employees to fulfil the high quality work. Due to the actuality of the issue, human resource management specialists should be aware of the efficient use of modern human resources management capabilities, which will ultimately facilitate the improvement of the existing environment.

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## **DEEP AND COMPREHENSIVE FREE TRADE WITH THE EU: DYNAMICS AND PROSPECTS FOR DEEPER INTEGRATION**

*Annotation.* In modern globalized world economy no nation is independent and intensive economic relations are the key for national growth. As the globalization is occurring through regional integration, countries are actively engaged in regional institutional relations. Today the EU remains a “classic model” of successful regional integration. As the same time the EU’s regional policy aims at reducing the gap with the neighboring countries and creating favorable conditions. This policy has revealed into the European Neighborhood Policy in 2004 and Developed into Eastern Partnership (EaP) in 2009 for 6 eastern neighbor countries of the EU: Armenia, Azerbaijan, Belarus, Moldova, Georgia and Ukraine. The

*Integration has steadily goes up with region, however, some countries show more progress. Georgia, Moldova and Ukraine has already sign the Association Agreement (AA) including Deep and Comprehensive Free Trade Areas (DCFTAs) with the EU and now these countries work on further progress in terms of the Implementation of AA/DCFTA.*

*The article discuss the issues deepening the progress with the establishing the free trade area in the region. The dynamics of foreign trade and correlation between the development of cooperation within the EaP format and increased trade flows are studied. Some data indicating the changing pattern of foreign trade are measured.*

**Key word:** EU Integration, Foreign Trade, Eastern Partnership, Georgia.

## **Introduction**

Over the history of its existence the EU went through *Deepening* the integration from Free Trade up to Single Market and Common currency (EURO) and five stages of *Enlargement* beginning with 6 states and ending so far with 28 states.

Despite the crisis of 2008 and skepticism arising in the EU on its further expansion, as well as Brexit, economic pragmatism still dictate that expansion of the EU has no alternative in terms of economic development and has to be continued. Number of Politicians from member states argues that best reaction to the crisis is to pursue further and deeper economic integration (Cameron, 2010, p.2). The EU regional policy seeks to transform neighboring countries to make easier economic and political relations which will lead to the deeper integration in the future. European Commission issued joint consultation paper “Toward a new European Neighborhood Policy” (European Commission, 2015) debating the lessons learned and prospects for further advancement of more tailored cooperation to cope with raised challenges and move forward.

The process of integration European nations begun in the beginning of 20<sup>th</sup> century and went through several legislative agreements and by the beginning of 21<sup>st</sup> century turn into one of the major player of the global system, which dictates further development and trends of evolution of surrounding aria (Sepashvili, 2013, p.109). Due to the fact that towards the end of XX century the process of globalization has gained the new stage of development, the EU took additional steps and went through political instrument: intergovernmental agreements, common strategies and joint actions. AA/DCFTA represents such policy action which is to transform Georgia, Moldova and Ukraine economy and strengthen economic relations.

## **Purpose of the Research**

Regional integration is important development for Eastern Partnership countries to ensure economic growth and prosperity. The integration which is implemented through AA/DCFTA with the EU gives new trend of development of these countries. The new policy goals and prospects are closely connected with gradual integration of the EU's Eastern neighbors into European Economic space. The impact of integration on economic growth and the means and ways of implementation of integration assumes greater importance for EaP region countries over the development. Foreign trade is analyzed to evaluate regional organization level indicating the success of regional economic integration.

## **Result of Research**

In modern reality during the international division of labor it's impossible to live on your own. Thus, nowadays the key words are the interdependence of nations and the imperatives that a global system imposes on national economies. The main problem is that majority of states are focused on national interests' strategies caused by country's social-economic needs. However, ignorance of globalization or not adequate recognition of its importance is likely to lead to missing the chance of participation via international relations in globalized economy and gain profits (Sepashvili 2016).

Globalization of the world economy often goes through regional integration which used to be started with broader and deeper economic relations. Today the EU remains a "classic model" of successful regional integration which positively influences the economic development of the member-states as well as neighboring countries. The primary objectives of regional policy are to reduce negative phenomena arising from natural conditions, geographical location or economic processes, and to create as favorable conditions as possible for closing the development gap and for encouraging innovative economic activity.

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Despite the crisis of 2008 and skepticism arising in the EU on its further expansion, economic pragmatism does dictate that expansion of the EU is to be continued. Number of Politicians from member states argues that best reaction to the crisis is to pursue further and deeper economic integration (Cameron, 2010, p.2). The EU actively

tries to establish harmonized space on its borders for long-term goal of expansion. The policy tends to transform partner countries through its foreign political instrument: intergovernmental agreements, common strategies and joint actions. Recently, European Commission issued joint consultation paper “Toward a new European Neighborhood Policy” (European Commission, 2015) debating the lessons learned and prospects for further advancement of more tailored cooperation to cope with raised challenges and move forward.

Theoretically, implementation of the intergovernmental agreements, that EU offers, might enable any country to achieve such level of development that it would be enough to become the member of the EU. In early 90th number of so called European agreements were signed with central and Eastern European countries. The articles of these agreements proved the EU aspiration to prepare these countries for membership. 2004 year was marked by great enlargement when 10 CEE countries became the member of the EU, and later in the beginning of 2007 two more countries joined the big family of Europe, and just recently in July, 28<sup>th</sup>, 2014 one more member was joined the Union. Nowadays, the process has been weakened but not stopped: The EU actively continues working on more cooperation and deeper integration with surrounded neighborhood, which appeared to be divided by two clusters of countries, Mediterranean and Eastern regions.

So far, expansion process of EU seems to be continued despite the weak vivid evidences. The EU actively tries to establish harmonized space on borders for long-term goal of extension. The policy tends to transform partner countries through its foreign political instrument: intergovernmental agreements, common strategies and joint actions (Cameron, 2010, p.3).

This short overview shows that the Eastern Partnership region countries: Azerbaijan, Armenia, Belarus, Moldova, Georgia and Ukraine have to become the part of global society. Nowadays major players of the world focus rather on regions than single countries. After the gaining independence all these six countries began to build new political and economic relations with each other and surrounding world, becoming the members of various international or regional organizations. In this context, the moving of the region towards the Europe seems quite natural. All six countries took similar steps to get closer to the EU.

As Federica Mogherini, High representative of the European Union for Foreign Affairs and Security Policy, Vice-President of the European Commission, has noted in the European Union Global

Strategy noted “None of our countries has the strength nor the resources to address these threats and seize the opportunities of our time alone. But as a Union of almost half a billion citizens, our potential is unparalleled. (EU Commission 2016: 3). So no wonder that currently, EaP Partner Countries affords are directed through neighbourhood policy that are unprecedentedly enhanced for some of them (Georgia, Moldova Ukraine) by signing the AA/DCFTAs, towards regional peace, security and economic cooperation and are focused on strengthening the democracy, rule of law, human right protection and economic tasks and projects (Sepashvili 2015).

The one of significant indicators of changes in regional organization levels are statistical data on countries’ export. Export indicators are fairly used to estimate regional organization level. They strongly reflect the reconstruction taking place among countries. Export indicators exactly show economic aspects of regional level changes (Ruggie, 1993, p.125). It is regarded, that how much more is the value of interregional export, the better relations are established among neighbour countries, and consequently, the level of organization is growing. The showings on EaP countries’ trade data evidently confirm the changes and growing dynamics. the obvious increasing tendency of trade volumes predicts for further success in the future after the DC FTAs are enacted fully for some countries and/or other trade facilitation measures are utilized fully for others.

EU trade arrangements with the neighboring countries differ from the general framework of the EU regional trade agreements (RTAs) to the EU Free Trade Agreements (FTAs). However, in EaP region the EU negotiated new generation of trade agreements known as Deep and Comprehensive Free Trade agreements, but only with some countries, namely Ukraine, Moldova and Georgia. Growing benefits which are anticipated after DC FTAs will fully realized, are assessed and significant growth or GDP and welfare level is researched (Ecorys CASE, 2012).

The trade policy impact though the ENP’s action Plan implementation success differ country to country. Consequently, the EU trade with its immediate neighbors is notable by its non-homogeneous nature due to the fact that surrounded countries vary according their economic performance. As some author distinguishes, (Liagrovas, 2013, p.4) the EU has four groups of neighboring countries:

- Developed countries (wealthier than the most EU member states – Norway, Switzerland, Iceland and Israel);

- Emerging upper middle income countries (with \$4 000 – \$10 000 GDP per capita – alongside with other countries this group includes Belarus and Ukraine, with \$6 202 and \$3 971 GDP per capita correspondently in 2012);

- Hydrocarbon countries ( producers and exporters of Hydrocarbon group includes Azerbaijan together with Russia, Syria, Algeria and etc.);

- Lower middle (with income levels less than half of some EU member states e. g. Bulgaria with \$14 234.572 in 2012; the group includes Armenia, Georgia, and Moldova together with Egypt and Morocco).

And therefore, there is substantial difference between economic indicators of EaP countries. The factors and motives which comprise the basis of regional unification have vivid political character. But this doesn't mean that affords of states, that are now based on political consideration, will have no results. The classic scheme, that B. Balassa had been suggested (Balassa 1961), distinguishes between cooperation and integration. Thus, EaP region process can be determined as the process of integration and not the state of integration.

Above discussed diverse macroeconomic data naturally entails differences in trade flow of these countries both with world and with the EU. As for the trade flows between countries, the picture is not homogenous as well. Lets' compare the period of starting the initiative of eastern partnership in 2009 and the latest data, when some of the partners countries (Georgia, Moldova and Ukraine has DCFTAs is force with the EU).

#### TRADE FLOWS BETWEEN THE EU AND EAP COUNTRIES IN 2009 (MLN EUROS)

country	Export to the EU	Growth %	Import t to the EU	Growth %	Total trade with EU
Armenia	161	-49,4	535	-20,1	696
Azerbaijan	7,546	-29,2	1,602	-22,3	9,148
Belarus	2,593	-45,1	4,999	-21,8	7,591
Georgia	517	-29,7	939	-25,5	1,457
Moldova	519	-31,2	1,246	-27,4	1,765
Ukraine	7,943	-45,8	13,991	-44,4	21,934

*Source:* Statistics of Countries and Regions; European Commission; last seen 05.05.2017. [http://ec.europa.eu/trade/policy/countries-and-regions/statistics/Growth %: relative between past and current year](http://ec.europa.eu/trade/policy/countries-and-regions/statistics/Growth%20relative%20between%20past%20and%20current%20year)

## TRADE FLOWS BETWEEN THE EU AND EAP COUNTRIES IN 2016 (MLN EUROS)

country	Export to the EU	Growth %	Import t to the EU	Growth%	Total trade with EU
Armenia	335	9,9	600	-4,6	936
Azerbaijan	7,605	-28,9	12,88	-45,5	9,486
Belarus	2,956	-20,7	4,996	-12,4	7,951
Georgia	551	-25,2	1965	6,8	2,516
Moldova	1,317	7,7	2,026	-2,1	3,343
Ukraine	13,08	1,9	16,505	17,6	29, 586

*Source:* Statistics of Countries and Regions; European Commission; last seen 05.05.2017. [http://ec.europa.eu/trade/policy/countries-and-regions/statistics/Growth %: relative between past and current year](http://ec.europa.eu/trade/policy/countries-and-regions/statistics/Growth%20relative%20between%20past%20and%20current%20year)

Data shows that the biggest amount of trade flows between the EU and the EaP partner country is exposed for Azerbaijan and Ukraine as it is expected by the sizes of their economies. But the interesting evidence is revealed. While in 2009 both countries were the largest trade partners in Eastern neighborhood of the EU comprising 21 934 mln euro total volume of trade for Ukraine and 9 148 mln euro total trade with the EU for Azerbaijan. In 2016 this showing increased for Ukraine up to 29 586 (despite the conflict and annexation of the southern part of Ukraine) and remained approximately the same for Azerbaijan, showed just slight growth up to 9 486 mln euros. Worth to note, that Ukraine has signed DCFTA with the EU in 2014, and Azerbaijan was not involved in the Free Trade Agreement talks. As for other countries which signed AA/DCFTAs with the EU, Georgia and Moldova, their trade was significantly increased from 1 457 mln euros and 1 765 in 2009 up to 2 516 mln euros and 3 343 mln euros in 2016, correspondingly. As for Armenia and Belarus, which are beyond the DCFTA space, their trade flows in the period slightly changed and show little growth. In 2009 Armenia's Trade flow consisted 696 (as showed in the table) and reached 936 in 20016, meanwhile Belarus showed even less progress in terms of growth of the volume of trade flows with the EU. In 2009 Belarus total trade with EU comprised 7 591 mln euros and in 2016 was slightly increased and amounted 7 951 mln euros<sup>1</sup>. The impact of DCFTAs on volumes of

<sup>1</sup> All data are taken from European Commission, Statistics of Countries and Regions, at <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>

trade with the EU is vivid and presented in the tables above (Sepashvili 2017).

Thus, overall realization of DC FTA will benefit improvement of welfare for the citizens of EaP partner countries. Better access to high quality products on domestic markets, ensured food safety and potential of higher income generating from new business opportunities and economic growth are among main gains and benefits arising from deeper and broader European integration.

As it was already shown, the Georgian export and import to and from the EU are characterized by growing dynamics which is expected to continue increasing over the time, especially after DCFTA requirements are fully met. Georgia has implemented wide range of reforms to improve Food Safety and Consumer Protection. An important package of legislative changes aiming at harmonization of the national legislation with the international standards elaborated in close cooperation with the EU experts and civil society has been adopted. Special attention is paid to effective anti-monopoly policy and harmonization of technical regulations. The Government's efforts are focused to ensure favourable business environment, with strong guarantees of private property rights (Sepashvili 2014); All these actions facilitate Georgian companies to produce higher standard products that will lead to more competitiveness of Georgian producers.

### **Conclusion**

Nowadays, we are witnessing dramatic changes occurring in the region, which gives start to the new developments closely connected with gradual integration of the EU's Eastern neighbors into European Economic space. The impact of integration on economic growth and the means and ways of implementation of integration assumes greater importance for EaP region countries over the development.

As a whole, the success of integrated groups in significant degree depends on elaboration such motivating forms of political and economic relations, that most of all appropriates specific features of concrete region and nation. These aspect are the main basis for EaP regional integration process.

The short overview presented in the article showed that the Eastern Partnership region countries have to become the part of global society. EaP countries are in dual transition towards the development and enhancement of democracy and establishment of a market economy to create a basis for self-sustained economic and social growth. As trade data on EaP countries' showed, increased level of regionalization and integration in the EaP region has clear evidence.

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