



# International Students' Scientific Conference

## Prospects for European Integration of the Southern Caucasus

**Tbilisi, October 25-26, 2014**



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კრებული შედგენილია "სამხრეთ კავკასიის ევროპულ სივრცეში ინტეგრაციის პერსპექტივები" დევიზით გამართულ მეექვსე სტუდენტთა საერთაშორისო სამეცნიერო კონფერენციაზე წარმოდგენილი საუკეთესო ნაშრომებით.

The collection contains the best scientific works of the Internationals Students' Scientific Conference "The Prospects for European Integration of the Southern Caucasus".

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## **Introduction**

Caucasus University is a new institution founded on the base of Caucasus School of Business which was established during the transitional period of the country in 1998 when Georgia was making first attempts to move from planned to free market economy. Now Caucasus University has got eight schools: Caucasus School of Business, Caucasus School of Law, Caucasus School of Media, Caucasus School of Technology, Caucasus School of Governance, Caucasus School of Humanities, Caucasus School of Tourism and Caucasus School of Health Care, a relatively new school. The target segment of CU are highly motivated, advanced skilled and study dedicated individuals ready to invest in their study at CU to build the professional and successful careers as well as the management of business entities which understands that human capital is one of the most important and main asset for successful business. The role of the Caucasus University is to support the fast development of business sector in Georgia and it is well known what a pivotal role the business sector has in the country's development in overall.

After becoming the member of Bologna Process, Higher Education Institutions of Georgia got a unique possibility to integrate into European Higher Education System. One of the main criteria of Bologna process is the indivisibility of Education and Research, which on its part is an inevitable condition for creating the most priceless resource of XXI century – the intellectual recourse.

Developing Intellectual potential is of utmost importance for Georgia. Apart from welfare, this is direct way to settle in a civilized world. This kind of importance carries International Students' Scientific Conference "Prospects for European Integration of the Southern Caucasus" which took place on October 25 -26, on "Bazaleti Lake" complex. The aim of this conference is to select and expose students' best works carrying original and important ideas for development of the region.

I would like to wish successful operation and further great creative achievements to all members of the conference.

**Prof. Kakha Shengelia**  
*President of Caucasus University*

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Caucasus University with the support of Friedrich Ebert Stiftung Children and Youth Development Fund, on October 25-26, 2014 held Six<sup>th</sup> International Students' Scientific Conference: „*Prospects for European Integration of the Southern Caucasus*“. The conference, as usual was held on „*Bazaleti Lake*“ Complex.

The basic aims of the conference are:

- To evaluate and discuss the responsibilities and prospects for European Integration of the Southern Caucasus.
- To stimulate the growth of the youths' scientific potential.
- To show the innovative ideas connected to the prospects of European Integration.
- To support the partnership within Georgian and foreign students and young researchers, for preparing joint scientific projects.

The scientific works of the participants and young researchers from the following countries : Georgia, Armenia, Estonia, Ukraine, Hungary and Poland Universities were discussed according to the following 4 sections:

- Building the modern European state;
- Applying innovative economic, managerial and marketing methods and approaches in business;
- Harmonizing legislation with EU requirements;
- Modern technologies and increase of innovative potential.

These sections were led by famous Georgian and Estonian moderators.

On behalf of the organizational committee I would like to wish all members of the conference success and further achievements in their professional activities and we will be glad if we see them at the other conferences.

**Prof. Shalva Machavariani**  
*The Head of Editing Board,*  
*Vice-President for Research of Caucasus University*

## **Dmanisi - One of the Most Remarkable Sites of Georgia**

**Nino Mkalavishvili**

*Caucasus School of Tourism*

*Student of the second course of the faculty of Tourism*

*Instructor: Levan Tsikharishvili*

### **Introduction**

By the end of September 1991 sensational news spread all over the scientific world: the mandible of the oldest man in Eurasia, whose age is possibly more than 1.5 million years, was found in Dmanisi, Georgia. Some researchers considered the scanty information from Georgia to be a newspaper gossip; some became seriously interested, but expressed doubts about the archaism and geological age of the early Dmanisi man. In what follows we try to shed light on the real history of these sensational finds.

Before the discovery of the mandible of Dmanisi hominid everything seemed to be clear and determined for anthropologists and paleoanthropologists– origin and formation of modern biological type of a human being had taken place 2.5 million years ago on the African continent. This hypothesis was widely accepted as an axiom and had a solid ground.

Scientists think that migration of the oldest man from Africa to Eurasia took place about one million years ago. But the unique discovery in Dmanisi has shattered the basis of the firmly established hypothesis on the initial origin and settlement of human beings. The mandible of Dmanisi hominid attracted the scientists' attention and became the main topic of discussion.

Specialists required convincing evidence instead of information carried by newspapers. Finally the arguments based on facts convinced everyone of the rightness of the Georgian scientists and Dmanisi was recognized as the oldest hominid fossil bearing site in Eurasia. The discovery of homo erectus remains significant rises up the interest towards Georgia. A lot of people from other countries are interested in where their forefathers lived and for this reason, several routes (historical, ecological, sporting and etc.) are working regularly.

Comprising both the ruins of a medieval city and the prehistoric archaeological site, visitors can enjoy guided tours of the picturesque fortress and ruins that cover the ancient deposits, and watch archaeologists excavate new discoveries.

Extensive archaeological studies began in the area in 1936 (leaders: L. Muskhelishvili and V.Japaridze) and studies still continue. Dmanisi museum-reserve was founded in 1983 and today it is the part of the Georgian National Museum. Two hominid cranial – D2280, D2282 was discovered in 1999. These finds demonstrate that Dmanisi hominids are the oldest humans outside of Africa. Five skulls are discovered in the Dmanisi area since 1991. There is no other place where have been discovered so many prehistoric hominids.

Dmanisi is the most productive Lower Paleolithic site in the world, yielding a minimum of 5 individuals represented by over 60 cranial and post-cranial remains. These individuals span different developmental stages (subadult, adult and old adult) and demonstrate the morphological diversity within the Dmanisi paleodeme.

These results caused the interest of the international scientific community because it changed strongly observed opinion about settlement of hominids from Africa.

The American journal Science nominated the Dmanisi paleontological achievement among the ten most important discoveries in 2000. Dmanisi was in the third place and carried the reconstruction of Dmanisi hominid on the cover.

### **Story and excavations**

The unique discovery of Dmanisi has a fairly long prehistory. The medieval settlement of Dmanisi is located to the south-east of Tbilisi, at the distance of about 90 km. Here the rivers Mashavera and Pinezauri cut canyon like gorges in basaltic lava, resulting in the formation of an elongated cape – basaltic plateau of triangular shape. The plateau is approximately 90 m above the river surface and 900 m height above sea level.

In the Middle Ages (6th-14th cent.) a strategically and economically important big city was built on the plateau, which was located on a caravan route leading to Asia. The city was protected from the south by a well-fortified high and wide wall made of basalt stones, from the north it was naturally protected by the deep gorge of the river Mashavera and its slope.

Remains of a castle wall and of dwellings, bell tower, basilica -Dmanisi Sioni and church of relatively later, feudal period are still to be found in the settlement.

Archeological excavations began in Dmanisi on the initiative of I. Javakhishvili in 1936. The archeologist L. Muskhelishvili directed the excavations and in spite of limited span of work made a very interesting discovery. In 1960 archeologists again visited Dmanisi settlement. The archeologist Vakhtang Japaridze directed the expedition, working there permanently until his death (1993). Afterwards the expedition was directed by J.Kopaliani, investigating medieval cultural layers. In 1982 at one of the sectors of the site archeologists came across pits, cut in compact sandy clay, the depth of which was about 3 m, diameter 2-2.5 m. Archeologists supposed that they were intended for economic needs and were dug by the inhabitants of the Middle Ages.

After cleaning them, numerous bones of fossilized animals were found on the walls and bottom of the pits. The Paleobiological Institute of the Academy of Sciences was immediately informed about it. It was impossible to ignore such interesting new. As a result of a detailed study of the pits and bones, scientists came to the conclusion that they were dealing in this case with the location of quite interesting and varied fossil fauna, whose geological age was possibly much earlier than a million years.

Systematic excavations of the Dmanisi paleontological site commenced in 1983 and, owing to periodical financial problems, lasted down to 1991. A large amount of paleontological fossil material was gathered during this period and, which was more important, N. Mgeladze found some stone tools with bones. The archaism of the technique of their manufacture caused no doubt; In specialists' opinion, the stone tools found in Dmanisi essentially differ in terms of their archaism from those found to date in the South Caucasus and no analogy has been found on the territory of Eastern Europe.

Since 1991 a new stage has started in excavations of Dmanisi site. A group of specialists of the Roman-German Archeological Museum consisting of Professor G. Bosinski and young archeologist A. Justus joined the expedition. It must be noted that the German side wholly financed Dmanisi excavations in 1991-99. The expedition was equipped with all necessities and excavations were carried out annually according to schedule.

The expedition season of 1991 turned out to be very productive. Very often stone tool and fossilized bone were found together in the rock, attesting to their contemporaneity.

The sunny morning of the 25th September started as usual. A group of young specialists under the guidance of the archeologist M. Nioradze and A. Justus was finishing the digging of the next square. Sud-

denly, A. Justus gave a signal to stop and knelt in front of a bow-shaped bone. The unusual form of the bone alerted the archeologist and she intuitively guessed that it must be a mandible. After partial freeing of the bone from rock, the row of teeth appeared. It was a mandible, but of what animal?

What was most important for science, the complete row of teeth (16) were in evidence. The teeth were well-preserved with little sign of wear, pointing to the fact that it belonged to a 20-24 year old primate, but to which?

After prolonged study and discussion, scientists came to the conclusion that Dmanisi hominid primarily belonged to the group of African *Homo erectus* and it was clear that Dmanisi Hominid was the oldest outside the African continent. Its significance was enhanced as the absolute age of the basalts lying directly under the sediments containing Dmanisi bones was determined as 1.8 million years by German specialists. Thus we should acknowledge that the oldest hominids started on a journey from Africa to Eurasia about 1.7 million years ago. They moved passing the Middle East and the South Caucasus. Some foreign scientists did not share the views of Georgian scientists. Their argument "It is impossible" was groundless, nobody wanted to deny the generally accepted hypothesis according to which migration of the first *Homo* from Africa to Eurasia could not take place earlier than 1 million years ago. There were scientists who reasonably and critically approached the Dmanisi discovery and shared the views of Georgian specialists. Among them was the American paleontologist and writer Pat Shipman, who published a special letter about the Dmanisi discovery. He deals with the skepticism which existed towards Dmanisi man and his geological age in the scientific circles and how this skepticism changed into its complete recognition.

### **"Pat Shipman –Doubting Dmanisi"**

The original find, in 1991, was a primitive human mandible or jaw found at the then newly discovered fossil site of Dmanisi in the Republic of Georgia. A joint German-Georgian team of scientists and students excavated there for some months, recovering beautiful fossils of extinct species like saber-toothed cats, elephants and rhinos, along with some crude stone tools. On the last day—similar episodes are so common that the Last Day Find is practically a cliché?—Antje Justus, a German graduate student, freed a partial skeleton of a saber-toothed cat from the sediments in her area of the dig. Lying directly underneath the extinct cat was the fossilized jaw of a primitive human, with a complete set of teeth. This was the find everyone had been hoping for all summer long. In that moment, Dmanisi was transformed from being an interesting site to being one of major significance for human origins.

The first I heard of the find was in December of 1991, when Justus, paleontologist Leo Gabunia of the Republic of Georgia National Academy of Sciences, and dig director David Lordkipanidze of the Georgia State Museum traveled to a conference on *Homo erectus* at the Senckenberg Museum in Frankfurt, Germany. Gabunia and Justus gave a joint presentation briefly describing the site, the fauna, the tools, the jaw and the preliminary dates. They generously brought the original fossil with them, so that colleagues could examine it firsthand during the workshop portion of the conference.

I knew most of the conference participants, but Gabunia, Justus and Lordkipanidze seemed to have come out of nowhere, speaking of a site I couldn't find without an atlas. Gabunia is a quiet, silver-haired man who spoke in French so clear that even I understood the jaw's anatomy. Justus put the find in context, speaking in articulate English and looking even younger than she was. Lordkipanidze fell somewhere in the middle in terms of age and personality; his English was excellent, his enthusiasm palpable, and he was obviously knowledgeable. If they were even half right in what they were saying, this was a very important new find indeed.

But not everyone believed the story. Although the Dmanisi jaw and its significance were largely over-

shadowed in 1991, excavations continued. In the summer of 1999, David Lordkipanidze sent word that there was something new and special from Dmanisi: "Skulls," he said enigmatically. We waited eagerly for more information. In May of 2000, a wonderful new paper appeared in *Science* by Gabunia and a host of colleagues, including Justus, Lordkipanidze and the German researchers who had worked with them from the beginning.

Why are the claims for Dmanisi accepted now, when they were not in 1991? For one thing, the evidence itself is stronger. Skulls are more readily identifiable to species than are jaws when hominids are at issue.

A whole series of finds and analyses has contributed to a new paradigm that makes the Dmanisi finds more palatable. "

### **Other Scientists Consideration**

In 1999 a thin bone that was coin size was found in fallen rock. The very first glance at it proved that it was a fragment of the cincture of the skull of some primate. Scientists picked up broken off bones, dug out the supposed skull of primate with rock and brought it to Tbilisi. They worked on the reconstruction of the skull, a place was found for every piece and, finally, they had the much coveted archaic man's skull with broken off upper jaw and teeth. The same year during the expedition D. Nioradze found one more well-preserved skull. Scientists eventually established that Dmanisi hominid somehow differed from *Homo erectus* by skull and mandible and was closer to the so-called *Homo ergaster* which in scientists' opinion is acknowledged as a direct descendant of the family of *Homo habilis*.

The scientific conclusions were followed mainly by positive references. The scientific community finally shared Georgian scientists' point of view on the age and systematic place of Dmanisi man and acknowledged that Dmanisi man was the oldest not only in Europe but, generally, outside of Africa. "This is a discovery which might completely change the view on the origin of mankind", . . . , "It is a wonder, beginning of real revolution in man's evolution", . . . , "Two fossil skulls found in Georgia belong to those hominids which first left Africa" (*Los Angeles Times*, 12/V-2000) "Dmanisi discovery demolished the spread theory, according to which settling the earth by hominids is connected to development of stone tools." (*Scientific American*, 2000). The American journal *Science* nominated the Dmanisi paleontological achievement among the ten most important discoveries in 2000. Dmanisi was in the third place and carried the reconstruction of Dmanisi hominid on the cover.

What made early humans leave Africa and seek dwelling space in Europe and Asia? Scientists answer this complicated question in different ways. American paleontologists are giving the most precise explanation. In their opinion, a group of hoof animals, looking for a new living territory, begins migration and man follows them as hoof animals are the main object of his hunting and sustenance. It seems that early man, starting to move once, relatively easily leaves his tropical habitat and enters a zone of mild climate. Its route might have passed the territory of present Israel and through the so-called Levantine corridor approached the South Caucasus. One branch of humans moves to the east and Asian *H. erectus* (*Pithecanthropus*) originates from it, the second branch moves to Europe and it might be the ancestor of the group of Heidelberg type men.

The process of migration cannot be considered as non-permanent. Numerous unsuccessful attempts may have been made before the first *Homo* settled in Dmanisi. If we take into account that the first *Homo* appeared in Africa about 2-2.5 million years ago, and early man already inhabited Dmanisi 1.8 million years ago, we should suppose that the migration speed of hominids was rather high. In some researcher's

opinion after adaptation to the South Caucasus and some transformations, the hominids went back to the African tropical zone. This view is unacceptable, because the fauna, and especially hominids, never return to the left environment, if the one they are living in did not change radically to the worse, and that did not happen in South Caucasus. Besides, why would they go back to the same environment?

Series of discoveries followed the discovery of two skulls of the first hominids in Dmanisi. Today, the paleoanthropological collection of Dmanisi contains 5 skulls, 5 mandibles, 12 isolated teeth and about 50 parts of postcranial skeleton (vertebrae, bones of extremities). The skulls and mandibles represented in Dmanisi belong to men (22-25) and women (12-15) of various ages.

The toothless mandible of an old man was also found. It is worth noting that the old man lived for a relatively long time after wearing out and losing the teeth, which is indicated by the fact that the sockets (alveoli) of these teeth roots are filled with bone tissue, which was only possible in the period of life. Supposedly, some of his fellows protected and looked after him. Remains of toothless man of such an early period have not been found anywhere else in the world.

Biogeographical analysis of Dmanisi fauna shows that various bio-provincial elements are represented in this fauna. Our studies confirmed that in the past geological era from time to time the South Caucasus was the connecting link between African and Eurasian bio-provinces. The collection of stone tools found in Dmanisi counts more than 2000 items.

One more - the fifth - well-preserved skull was found in Dmanisi in 2005,

### **Conclusion**

To sum up the foregoing, we can conclude that remains of the oldest hominids in Eurasia are discovered in Dmanisi habitat, the, geological age of which - 1.8 million years - is confirmed by biostratigraphic, paleomagnetic and radiological methods of study. Dmanisi habitat is unique due to well-preserved hominid remains, like which have not been found even in Africa.

Georgian scientists presume that two populations of early hominids inhabited South Georgia 1.8 million years ago: *Homo ergaster* and *Homo georgicus*. But not everybody shares this view of Georgian scientists. Some foreign scientists think that only one population of early hominids has been found in Dmanisi. Professor J. Schwarz from Pittsburgh University shares our version and notes that hominid remains unearthed in Dmanisi undoubtedly belong to two or several species, which coexisted for a certain period of time.

The excavations in Dmanisi are continuing. New interesting discoveries are to be expected; we hope they will allow us not only to reconstruct the complete skeleton of the Dmanisi hominid, but to form a complete and wellgrounded idea on Dmanisi man, his activity and the environment in which he happened to exist.

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# **Dmanisi - One of the Remarkable Sites of Georgia**

*Annotation*

**Nino Mkalavishvili**

*Caucasus School of Tourism*

*Student of the second course of the faculty of Tourism*

*Instructor: **Levan Tsikharishvili***

This work is about Dmanisi, which may be the only remarkable site of Europe. Dmanisi is a rich paleo-anthropological and archaeological place in Georgia. Multiple lines of evidence date the human occupation at Dmanisi as early as 1.85 million years ago, putting it in the Pleistocene.

It is widely recognized that Dmanisi discoveries have changed scientist's knowledge concerning the migration of homo from Africa to the European continent.

Recent excavations of Dmanisi have revealed an extraordinary recording of the earliest hominid dispersal beyond Africa. Several hominid individuals (4 skulls, 3 of them with maxillas, 4 mandibles, 16 isolated teeth and 24 post-cranial elements), along with abundant well-preserved remains of fossil animals and stone artefacts have been found in Dmanisi.

Dmanisi discoveries are most ancient in whole Eurasia and are dated to 1.75 million years ago. There is the huge potential for further finds as well.

Dmanisi corresponds to all criteria for Hominid sites: good chronologies; number of fossils; antiquity of finds; potential for further finds; groups of closely related sites; and discovery and demonstration of human evolution.

Among Hominid sites on the World Heritage List Dmanisi can be compared with the Atapuerca Archaeological Site in Spain and Sterkfontein Valley in South Africa. The earliest Hominid remains in Atapuerca dates from circa 800 000 BP, while Dmanisi specimens dates to 1.75 million years ago. Thus, Dmanisi is the only European site belonging to the first period.

# **The Eastern Partnership as a practical mechanism for cooperation and integration of the Caucasus with the European Union, based on the case of Georgia.**

**Michał Szczelina**

*The Jagiellonian University*

*Bachelor's degree graduate, Faculty of International and Political Studies*

*Instructor: Piotr Bajor, PhD*

## **I. Introduction.**

This paper explains the purpose of a Polish-Swedish initiative, the Eastern Partnership (the EaP) programme, as a practical mechanism for cooperation of Georgia and other countries with the European Union (the EU). It describes Polish experience in integration with the Western European structures and the Polish attitude towards the integration of former Soviet countries with the EU, as well as Polish-Georgian deep historical relations. The work illustrates the benefits of cooperation with the EU achieved through the reforms conducted under the programme, and the future possibilities.

## **II. The aims of the Eastern Partnership.**

The Eastern Partnership project was presented by Polish Foreign Minister Radosław Sikorski and Swedish Foreign Minister Carl Bildt at the Foreign Affairs Council meeting. The project was founded as a response to the need for creating a more advanced initiative than the European Neighbourhood Policy addressed to Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The new long-term plan, unlike the previous initiatives, was to give a comprehensive support for modernization and reform. The neighbouring countries were to have stronger multilateral co-operation and were to be prepared for the potential enlargement of the EU. In contrary to the previous programmes, the EaP gives an opportunity for the partner countries to strengthen the bilateral relations with the EU according to the individual partner countries' aspirations for their future relations with the EU. On 7 May 2009, after the approval of the European Council, the project was officially launched at a Prague summit by adopting the Prague Declaration, which became the basic founding document of the Eastern Partnership.<sup>1</sup>

The main goal of the programme is to create the necessary conditions to accelerate political association and further economic integration between the European Union and interested partner countries.<sup>2</sup> However, before signing the Association Agreement (AA) including The Deep and Comprehensive Free Trade Area (DCFTA), the EU required the partner countries to fulfil not only a number of conditions in the economic sphere, but also Community acquis<sup>3</sup> – the fundamental principles of democracy, respect for human rights and the rule of law established by the Council of Europe.<sup>4</sup> The cooperation between partnering countries and the EU has been divided into four thematic platforms: Democracy, good governance

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1 Perkowski, M. (2009), The European Union's Eastern Partnership. Selected issues and thoughts, in Zdanowicz, M., Do-liwa-Klepcka, A. (2009), Wybrane aspekty wpływu członkostwa państw Europy środkowo-wschodniej na stosunki ze wschodnimi państwami ościennymi, Temida 2, p. 153-157.

2 Joint Declaration of the Prague Eastern Partnership Summit in 2009.

3 Eurovoc. Multilingual Thesaurus of the European Union:  
<http://eurovoc.europa.eu/drupal/?q=request&uri=http://eurovoc.europa.eu/210682>

4 Report, Political Affairs Committee, Parliamentary Assembly of The Council of Europe and the Eastern Partnership of the European Union: <http://assembly.coe.int/ASP/Doc/XrefViewHTML.asp?FileID=13077&Language=EN>

and stability (platform 1), Economic integration and convergence with EU policies (platform 2), Energy security (platform 3) and Contacts between people (platform 4). The platforms were designed to help the partnering countries to fulfil the requirements to become eligible to conduct the agreements with the EU. On 27 June 2014 the EU has signed Association Agreements with Georgia, Moldova and Ukraine demonstrating that the Polish-Swedish initiative has achieved success.

### **III. Polish experience with the European integration process.**

The idea of integration of the Caucasus with Europe and keeping the independence of Georgia has been important for Poland not only in the last decade. The relations between Poland and Georgia were established shortly after the First World War. Due to the common enemy, the Soviet Union, Polish Chief of State Józef Piłsudski considered independent Georgia as a candidate for membership in the Intermarium federation.<sup>5</sup> After the conquest of Georgia by the Red Army in 1921, the Polish government not only kept relations with the government in exile but also offered contract service in the Polish Army to many Georgian officers.<sup>6</sup> This shows that Poland and Georgia have common, long standing traditions in fighting for their independence against external enemies.

After signing the Round Table Agreement in 1989 Poland regained its sovereignty and entered the path of democratic transition. The first fully democratic government, elected in 1989, representing the will of the vast majority of Polish citizens did not have doubts about the new direction of Polish foreign policy.<sup>7</sup> Poland, along with three other members of the Visegrad Group, started the integration process with the Western structures – the European Union and the North Atlantic Treaty Organisation. All four countries had similar problems after the collapse of the Eastern Block, they had to transform not only their political systems to become full democracies but also transform their economies into free-markets. The Visegrad Group countries were seeking guarantees of their security and they considered the USA and NATO as the only potential guarantors of their independence. Although Poland's official relations with NATO were established already on 21 March 1990 by the visit of Mr. Krzysztof Skubiszewski, the Minister of Foreign Affairs of Poland, to NATO headquarters, NATO members did not consider Soviet satellite states countries as potential new NATO members. The Western Countries were not only afraid of Russia's reaction but also formerly agreed that NATO will have stopped its enlargement after incorporating the territory of Eastern Germany. The situation changed after the summit in Rome in 1991 and the collapse of the Soviet Union. NATO informed Poland and the Visegrad Group that after fulfilling a number of goals, such as modernisation of their armies up to NATO standards, liberalisation of their markets and the continued democratisation of their political systems, accession to NATO is possible.

However, NATO did not have Russia's agreement for the enlargement of the alliance. The breakthrough occurred after the meeting of President Boris Yeltsin with President Lech Wałęsa in Warsaw on 25 August 1993, when Yeltsin stated that Poland's membership in NATO is not against Russia's interests. A formula in the Joint Polish- Russian Declaration of 25 August 1993 reflected this: "Such a move would

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5 Materski, W. (2008), *Polsko-Gruziński sojusz wojskowy in Polityka*. Wydanie specjalne: Niepodległość 1918, p. 69.

6 Karpus Z., Rezmer W. (2001), *Mniejszości narodowe i wyznaniowe w siłach zbrojnych Drugiej Rzeczypospolitej 1918-1939*, Wydawnictwo Uniwersytetu Mikołaja Kopernika, p. 177-200.

7 Roszkowski, W. (2003), *Najnowsza historia Polski 1980–2002*, Świat Książki, p. 117.

not be counter to Russian interests nor to the pan-European integration process”<sup>8</sup> Although soon after his visit, Yelstin revised his position and retracted his earlier statement, Poland still treated this formula as a binding one. In 1994 the Czech Republic, Slovakia, Hungary and Poland started the cooperation with NATO under the Partnership for Peace programme (PfP). It created the possibility of joint military exercises, participation in peacekeeping and humanitarian operations, and consultations with NATO partners in the event of threats to their safety.<sup>9</sup> Two years later, President Bill Clinton during a speech in Detroit announced that the first of NATO’s new partners “should be full fledged members” by the organization’s 50th anniversary in 1999.<sup>10</sup> On 8 July 1997 at the NATO Summit in Madrid, the Czech Republic, Hungary and Poland were invited to talks on NATO membership and on 12 March 1999 all three countries became formal parties to the Treaty.<sup>11</sup>

In parallel with negotiations for NATO membership, in 1998 Poland started negotiating accession to the European Union.<sup>12</sup> The negotiations determining the conditions under which each applicant country will join the EU took four years. During this time, Poland had to accept the detailed laws and rules adopted on the basis of the EU’s founding treaties, mainly the treaties of Rome, Maastricht, Amsterdam and Nice.<sup>13</sup> On 1 May 2004 Poland, among 10 other countries, became a member of the EU and on 21 December 2007 became a member of the Schengen Zone.

#### **IV. Polish contribution to the integration process of the Caucasus with the EU.**

It took almost 25 years for Poland (1989-2014) to become an equal member among other Western Countries. On 30 August 2014 Polish Prime Minister Donald Tusk was elected the new President of the European Council. Although the Polish government had changed many times during these years, none of the Polish political parties stopped the pro-European process and Poland as one of the biggest countries in Central and Eastern Europe, tried to be an advocate of other Eastern Block countries within NATO and the European Union. Having experience in negotiations and the process of integration with the Western structures, Poland easily found a common language with other Eastern European countries, especially with Georgia.

The relations between the countries boosted after the “Rose Revolution” in October 2003 and the election of Mikheil Saakashvili for President of Georgia. His first visit to Poland in 2004, during the presidency of Aleksander Kwasniewski, could be perceived as a forecast of the development of Polish-Georgian relations, but the true breakthrough occurred after the formation of a new government by the Law and Justice (PiS) party and the election of Lech Kaczynski for President of Poland. His election was the beginning of an informal political alliance between the governments of Poland and Georgia as well as the other countries of Central and Eastern Europe and Southern Caucasus (the Baltic states, the Visegrad Group

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8 Rodrigues Leitão Tomé, L.J. (2000), Russia and NATO’s Enlargement, NATO Research Fellowship Programme 1998-2000, p. 14.

9 Ministry of Foreign Affairs of the Republic of Poland (2012) – the Permanent Representation of Poland to NATO in Brussels, Poland’s road to NATO.

10 Transcript of the Remarks by President W. J. Clinton to People of Detroit (1996), United States Information Agency.

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12 Negocjacje członkowskie. Polska na drodze do UE (2000), Kancelaria Prezesa Rady Ministrów.

13 European Commission:

[http://ec.europa.eu/enlargement/archives/enlargement\\_process/future\\_prospects/negotiations/eu10\\_bulgaria\\_romania/index\\_en.htm](http://ec.europa.eu/enlargement/archives/enlargement_process/future_prospects/negotiations/eu10_bulgaria_romania/index_en.htm)

and post-soviet countries, Georgia, Azerbaijan, Armenia and Moldova). On 27 February 2007, Polish and Georgian Ministers of Foreign Affairs met and signed the “Memorandum on Cooperation in the Field of European and Euro-Atlantic Integration between The Governments of Georgia and The Republic of Poland” to express Polish support and the will to share Polish knowledge and experience in the process of integration with the EU.<sup>14</sup> Georgian effort for cooperation was appreciated and NATO members declared that Georgia and Ukraine, which after the Orange Revolution joined the countries integrating with the Western structures, will be in the future a part of NATO.<sup>15</sup> However, the support of the USA and Poland in contrary to opposition from several countries, mainly France and Germany was not strong enough to allow Georgia and Ukraine to join the Membership Access Plan. The decision concerning MAP for Georgia and Ukraine was postponed at the NATO summit in Bucharest until December 2008. Nonetheless, the Russian invasion of Georgia in 2008 annihilated the plan of NATO and only a few countries did not change their attitude towards the potential new NATO member countries. During the conflict, the coalition of Presidents of Estonia, Latvia, Lithuania, Poland and Ukraine condemned Russian actions in Georgia and organised a rally in Tbilisi to express political support for Georgia.<sup>16</sup> Furthermore, the President’s Office allowed the Georgian government to publish content on President Lech Kaczynski’s website, in light of the blockade of Georgian internet portals during the conflict.<sup>17</sup> The direction of Polish foreign policy was not changed after the election of Bronisław Komorowski for President of Poland, following the catastrophe in Smolensk on 10 April 2010.

The Eastern Partnership encompassed not only opening a new programme of the European Neighbourhood Policy, but also a Polish political declaration on maintaining the direction of pro-Eastern foreign policy. During its presidency of the EU council, Poland “has proposed to offer EaP states a perspective for the automatic abolishment of visas to the EU after the fulfilment of certain conditions.”<sup>18</sup> Therefore to emphasize it, the participants of the Warsaw EaP Summit of 2011, added a statement of implementing visa facilitation and readmission agreements. After concluding and effectively implementing these agreements, gradual steps towards visa-free regimes will take place.<sup>19</sup> Two years later, during the Vilnius Summit of 2013, Association Agreements including DCFTAs for Georgia and Moldova were initiated<sup>20</sup>, which lead to signing the agreement on 27 June 2014.<sup>21</sup>

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14 Ministry of Foreign Affairs of Georgia: [http://poland.mfa.gov.ge/index.php?lang\\_id=POL&sec\\_id=382](http://poland.mfa.gov.ge/index.php?lang_id=POL&sec_id=382)

15 NATO Bucharest Summit Declaration 2008.

16 [http://www.rp.pl/artykul/118801,174425\\_Prezydenci\\_Litwy\\_\\_Lotwy\\_\\_Estonii\\_i\\_Polski\\_potepili\\_dzialania\\_Rosji.html](http://www.rp.pl/artykul/118801,174425_Prezydenci_Litwy__Lotwy__Estonii_i_Polski_potepili_dzialania_Rosji.html)

17 <http://www.rp.pl/artykul/174783.html?print=tak&p=0>

18 Arcipowska, M. (2011), EU Visa Dialogue with Eastern Partnership Countries, the Polish Institute of International Affairs.

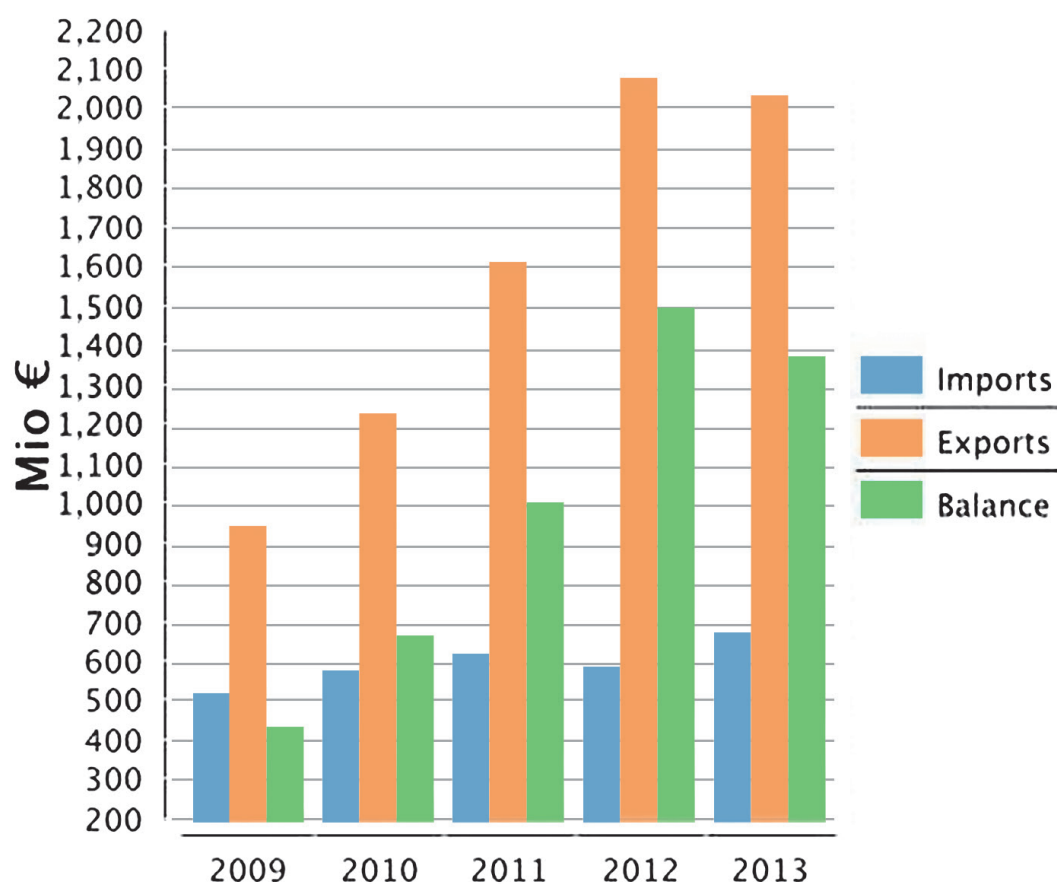
19 Joint Declaration of the Warsaw Eastern Partnership Summit in 2011.

20 Joint Declaration of the Vilnius Eastern Partnership Summit in 2013.

21 European Commission - MEMO/14/430

## V. The benefits of cooperation with the EU

Since the launch of the Polish-Swedish initiative in 2009 Georgia has benefited from the resulting cooperation with the EU in increased trade flows and balance with the EU (Pic.1.), which proves that reforms taken so far under the programme positively influenced cooperation with the EU.

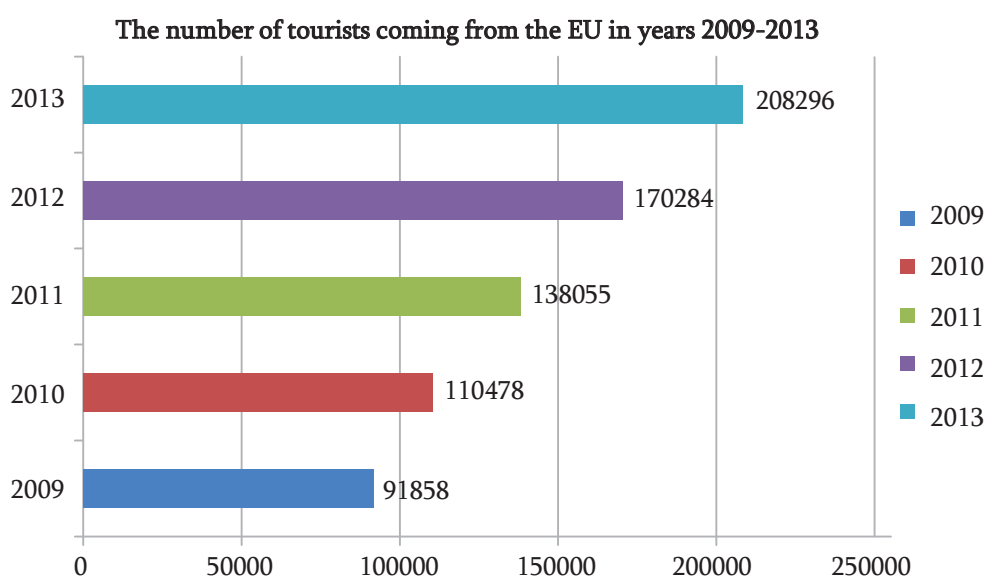


Pic.1. Total goods: EU Trade flows and balance with Georgia, annual data 2009-2013.<sup>22</sup>

Source: European Commission

The cooperation under the programme also helped to develop other non-industrial fields in Georgia, for example tourism (Pic.2.)

<sup>22</sup> European Commission: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113383.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf)



Pic.2. The number of tourists coming from the EU, annual data 2009-2013.<sup>23</sup>

Source: Georgian National Tourism Administration

Although the Eastern Partnership project led to signing by the European Union and Georgia an Association Agreement, including the goal of creating a Deep and Comprehensive Free Trade Area, Georgia needs to improve several aspects of its economy. In order to enjoy the abolition of custom duties on goods, Georgian industrial goods have to fulfil the requirements in the area of technical regulations, standards and conformity assessment procedures. Likewise labelling in the EU is more heavily regulated than in Georgia, thus exported products will have to contain more information. In the future, an Agreement on Conformity Assessment and Acceptance of Industrial Products might be negotiated and under it, trade in selected sectors will take place under the same conditions as that between EU Member States.<sup>24</sup>

In the field of trade in animals and plants, and products of animal and plant origin, the DCFTA requires Georgia to increase the level of animal welfare standards reflecting EU and World Organisation for Animal Health norms. Furthermore, Georgia's animal and plant health arrangements need to be equivalent to those of the EU to be allowed to enter the EU and be marketed on a par with EU's domestic products. Georgia also has to implement an early warning system for veterinary and phytosanitary emergencies.<sup>25</sup>

Beside these two fields of the cooperation in the DCFTA Georgia and the EU concluded several other aspects of future relations concerning for example public procurement, intellectual property rights, competition, transparency or trade-related energy. The cooperation in these sectors will upgrade Georgia's legal system to EU standards and will assure potential European investors that investing capital in Georgia

<sup>23</sup> Georgian National Tourism Administration: <http://gnta.ge/stats/portal/>

<sup>24</sup> European Commission: [http://eeas.europa.eu/delegations/georgia/documents/eap\\_aa/dcfta\\_guide\\_2014\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/eap_aa/dcfta_guide_2014_en.pdf)

<sup>25</sup> European Commission: [http://eeas.europa.eu/delegations/georgia/documents/eap\\_aa/dcfta\\_guide\\_2014\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/eap_aa/dcfta_guide_2014_en.pdf)

is safe and worthwhile. An Ecorys-CASE study for the European Commission anticipated that the agreement “could increase Georgia’s exports to the EU by 12% and imports by 7.5%. Georgia’s GDP could increase by more than 4%, or 290 million euro in about 5-10 years’ time”.<sup>26</sup> The growth of the Georgian economy could impact the society as well by reducing unemployment and increasing the citizens’ quality of life. Although so far much has been done, how signing the agreement will influence the economy and society depends largely on the Georgian side, due to the fact that reforms need to be conducted.

## **VI. Conclusion**

Since the Rose Revolution in 2003 Georgia has reoriented its foreign policy towards integration with the Western Structures. In December 2008 Georgia and Ukraine granted Annual National Programs and during the NATO Wales Summit in 2014 Georgia has been reassured that assignments taken in the Bucharest Summit of 2008 are valid and in the future Georgia will become a part of NATO.<sup>27</sup> The situation is complicated due to the Russian-Ukrainian conflict and the opposition of France and Germany to the enlargement of NATO. As for integration with the EU structures, Georgia has achieved success and along with two other countries, Ukraine and Moldova, became an associated country with the EU. The purpose of creating the Eastern Partnership has been partially achieved and signing the Association Agreements proved that the programme is effective. It is up to Georgia to determine how effective future cooperation will be and whether the DCFTA will grow its economy.

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<sup>26</sup> Wnukowski, D., Zasztowt, K. (2014), The EU–Georgia FTA: A Chance to Boost Polish–Georgian Economic Relations, the Polish Institute of International Affairs.

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# **The Eastern Partnership as a practical mechanism for cooperation and integration of the Caucasus with the European Union, based on the case of Georgia.**

*Annotation*

**Michał Szczelina**

*The Jagiellonian University*

*Bachelor's degree graduate, Faculty of International and Political Studies*

*Instructor: Piotr Bajor, PhD*

1. Explaining the three main aims of the Eastern Partnership: political association, economic integration and mobility.
2. Georgia's importance for the Eastern Partnership and the role of Poland in the process of creating the Eastern Partnership. Historical ties between Georgia and Poland and the significant cooperation between the countries.
3. Poland as one of the leading advocates of Georgia within EU. Polish contribution to the Joint Declaration of the Eastern Partnership Summit in Warsaw and Vilnius. The role of Polish institutions in the Eastern Partnership. Russia's attitude to the European integration process.
4. The quality of goods made in Georgia and the sanitary requirements as an export barrier to the European Union market.
5. The main purposes of signing an Association Agreement between Georgia and the European Union. Benefits that an Association Agreement has brought and will bring. DCFTA as a solution for increasing export of goods from Georgia to EU.
6. Analysis of benefits to Georgian society and Georgian economics from signing an Association Agreement, conducted on European Commission statistics.

# The case of Georgia – Chances and Challenges

**Mariam Gachechiladze**

*International Black Sea University*

*Senior student of the faculty of Social Sciences*

*Instructor: Nick Chitadze*

## **Introduction**

No political system or organization can properly be understood unless it is set in its historical and operational context. With regard to the European Union, the creation period of it was a very sensitive time for the whole world. In the middle of the past century, after the World War II, new era of the cooperation among nations emerged. In 1945 creation of the United Nations (UN) by 50 states, later on in 1949 appearance of the North-Atlantic Treaty Organization presented the political and military cooperation and coalition respectively among different states. But they did not reflect enough prospects of economic development and increasing financial relations among them. So finally in 1950s the treaty of Rome managed to bring together 6 European states with the only purpose of creation new economic cooperation on the basis for mutual obligations and responsibilities.

As European integration process was initiated and developed in Western Europe, it was extended to Central and Eastern Europe. Until the collapse of the Soviet Union and communism in the region in 1989-90s, countries like Bulgaria, Estonia, Latvia, Hungary, and Poland were either part of the Soviet Union or were located within Soviet bloc. As such they were outside the process of European cooperation. Understanding and analysis of the European integration process must therefore begin by beginning to focus on Western Europe.

It is essential to note that in 20 century the period between two world wars were characterized by particularly sharp and fluid inter-state relations in Europe (Nugent, 2010). Lack of stable alliance system and no clear balance of power somehow created a very unclear situation with full of permanent threat new confrontation. Formation of international organization of League of Nations in 1919 could not manage to provide for international collective security for several reasons. Neill Nugent in his book under the name of *The Government and Politics of the European Union* (2010) clarified different reasons why the League of Nations could not complete its full mission:

*“First, its aims were vague and were interpreted in different ways. Second, it was inter-governmental in its structure and therefore dependent on the agreement of the member states before any decision would be taken. Third, and crucial, the states wanted different things from it.”*

In this regard there are different states taken into account with their various national interests. France, Great Britain, Germany and Italy were absolutely on different passions, were their ambitions were clashing. That is why everything started in a very short period of time. Europe still was suffering from the results of the World War I, when all of a sudden new confrontation emerged as a result of which the majority of the world was involved.

By May 1945, after German government representatives agreed to surrender, Nazism and Facism had been defeated, but economies and political systems throughout Europe had been severely shaken,

cities, town, industrial places, factories “economical engines” of different countries were destroyed. After World War II the relations between Western European states transformed, everyone recognized the importance of the close partnership and interdependence on each other, in order somehow to hold the states and limit the possibility of waging war. This transformation process in Europe was observed by Altiero Spinelli (1985), when he justifies this process by the “political consciousness of Europeans”, because before that there was no attempt to cooperate and any neighbor state in the Europe was assumed to be the enemy. Significantly, Spinelli questioned the common destiny of the whole Europe, while the change from hostile to friendly relations was a must and a need for each and every state.

Starting from the European Coal and Steel Community and ending with the European Union, the region undertook several steps of development and reformation. As Jean Monnet, the main deviser of the Schuman Plan and President of the High Authority of the ECSC in 1952-55, mentioned that: “a start would have to be made by doing something both more practical and more ambitious” (1978).

In that period one may say that the political system was somehow different of the six founding states. For instance in 1930s Third Republic of France had a weak parliamentary system, while Germany was devastated because of the Nazi tyranny and was suffering from the destructed political, economic and social conditions. When the system was organized and the founding members clearly distributed the obligations and responsibilities, in 1973 first enlargement process took place. The newly accepted members were Denmark, Ireland and United Kingdom, which was ignored and rejected by the France representation for so long period of time. The enlargement process lasted long and it is still in action. For today from 6 states the EU counts 28 member states that effectively attempt to cooperate along the plenty of issues. Supranational nature of the organization somehow makes the community unique and quite sufficient in the decision making process.

With regard to the biggest EU countries: Germany, France and the United Kingdom, it is noteworthy to draw the figure of the comparative studies of the political systems, that will facilitate the way of understanding the structure of the organization.

Germany is a federal parliamentary republic, where federal legislative power is lies in the Bundestag (the parliament of Germany) and the Bundesrat (the representative body of the Länder, Germany’s regional states). The political system is clearly defined in the 1949 constitution, called the *Grundgesetz* (Basic Law), which remained in effect with minor amendments after German reunification in 1990. According to the constitution the head of state is the President, having largely ceremonial position, elected for a maximum of two five-year terms. The head of the government is the Chancellor.

Every four years, after national elections and the convocation of the newly elected members of the Bundestag, the chancellor is elected by a majority of the members of the Bundestag upon the proposal of the President. This vote is one of the few cases where a majority of all elected members of the Bundestag must be achieved, as opposed to a mere majority of those that are currently assembled. This is referred to as the “*Kanzlermehrheit*” (Chancellor’s majority) and is designed to ensure the establishment of a stable government.

Legislative branch consists of the lower house - Bundestag (598 members) and the upper house - Bundesrat. Supreme Court is called the Federal Constitutional Court and its role is essentially as guardian of the constitution.

Germany represented a model of parliamentary republic in the heart of Europe, while France is another sample for semi-presidential republic. One may say that the French could plausibly argue that modern democracy derives from the French Revolution of 1789.

The institutions of governance of France are defined by the Constitution, more specifically by the current constitution, being that of the Fifth Republic. The Constitution has been modified several times since the start of the Fifth Republic, most recently in July 2008, when the French “Congress” (A joint convention of the two chambers of Parliament) approved - by 1 vote over the 60% majority required - constitutional changes proposed by President Sarkozy. But still this fact does not create a sense of non-stability in the country. The head of the government is the Prime Minister who is nominated by the majority party in the National Assembly and appointed by the President for an indefinite term.

The lower house in the French political system is the National Assembly with 577 seats representing single-member constituencies. The upper house in the French political system is the Senate - 348 seats (the number depends on population changes).

The Senate – the upper house - tends to specialize in constitutional matters and foreign affairs including European integration.

France uses a civil legal system; that is, law arises primarily from written statutes; judges are not to make law, but merely to interpret it. The basic principles of the rule of law were laid down in the Napoleonic Code.

According to Martin A. Schine (2007) checks and balances are very effectively employed within the fifth republic. The judicial check on policymaking enhances the role of the much older Council of State, which in its present form dates back to 1799. The government now consults more extensively on all bills before they are submitted to the parliament and all government decrees and regulations before they are enacted. The council also gives advice on the interpretation of the constitutional texts. This advice is never binding, but the “prestige of it is very high, so it is never ignored” (Almond, 2007).

With regard to politics in Britain, it is a very broad issue. Richard Rose put the travel of Alexis de Tocqueville to America in 1831 in the similar way as any person should travel to Britain to “seek secrets of stable representative government” (Almond, 2007).

Unlike above given cases of two European states the United Kingdom is characterized to be the best example of monarchy, while the Queen of the country – the best known monarch in the world. The Crown was established as the central political authority in medieval times. The continuity of England’s political institutions through the centuries is remarkable. In case of United Kingdom one may say this country somehow lacks of democratic institutions, this idea came from Labor Cabinet minister, who declared: “its carrying democracy too far if you do not know the result of the vote before the meeting” (Varley, 1978).

British legislative branch - the Parliament - is often called Westminster because it is housed in a distinguished building in central London called the Palace of Westminster. It is bicameral, that is there are two houses or chambers. House of Commons is the lower chamber while House of Lords is the upper one. Much of the work of Parliament is done in Committees rather than on the floor of the chamber.

The UK does not have a President. Constitutionally the head of state is the monarch who is a hereditary member of the Royal Family. However, the monarch has very few formal powers and stays above party politics. He or she receives a weekly oral report from the Prime Minister, a tradition which began with King George I in 1714 because this German had struggled to follow the English deliberations of his Cabinet. Therefore, in practice, the most important person in the British political system is the Prime Minister.

The British judicial branch is extremely complex. The UK operates three separate legal systems: one for England and Wales, one for Scotland, and one for Northern Ireland. Although bound by similar principles, these systems differ in form and the manner of operation. Concerning the constitution the UK does not

own a written constitution that will guide all the governmental institutions and branches of power. The only source of law in the country is considered the long- standing customs and tradition that are omnipotent during decision making process.

Coming to the most significant question to this part of the research, the reason three different countries were compared above is very crucial. This is how one may understand the peculiarities and diversity of the political systems within the European Union. But the reality is that it works very harmoniously. The only reason for this is that these countries are united under the same values of liberalism. The rule of law, justice, protection of human rights, tolerance, equality vs. create those very essential fundamentals of the Union, that is how the one European identity is formed. That is how all of the member states manage to be so united, despite the differences and even some intra-state problems that may unintentionally emerge anywhere.

## **Methods**

The methods used in research were very diverging in nature. Different secondary sources facilitated the way to develop the research. For this mean the most part of the project there were qualitative research methods applied.

For the secondary sources several books were used for diverse reasons, comparative studies were done on the basis of the information provided by those books. In addition to published literature different academic papers were used from web-sites of ebsco.com as well as jstore.com, these web-sites provided updated information about the subject of research.

The research includes different methods of data collection-gathering focus group and having interviewed the experts face-to-face.

For focus group 4 students were gathered who mainly relied on the issues connected to the present of the South Caucasus region and the possible prospects of integration of the region in the EU. The format of the questions was mainly connected to the basic knowledge of the problem. The members of the group were selected from the International Relations direction students, with different ages, sex and nationalities (2-Georgians, 1-Azerbaijani, 1- Turkish).

Finally interview method was practiced with Assoc. Prof. Dr. of International Black Sea University (IBSU) - Nick Chitadze, invited professor at IBSU – Ph. D. in Strategic Studies – Vakhtang Maisaia.

Finally, in analyzing of research results MS Excel 2003 was used.

## **Findings and results**

Different researches were dedicated to the EU integration process, different political systems and partnerships beyond the borders of the EU. Various organizations or research centers investigated the issue and published reports. South Caucasus has all the time been under the focus of different reporters, because of specific reasons. Political expert Nick Chitadze underlined several reasons of it. There is no doubt that South Caucasus region is “geopolitically and geo economically very attractive for EU”. But since the research is mainly dedicated to Georgia, as being the model state of the EU within the region of the South Caucasus, several questions were asked to Professor Chitadze. According to him there are several aspects – economic, political and energy security and Georgia is highly involved in each of them. With regard to economic aspects – Baku-Tbilisi-Akhalkalaki railway project, by which more that 20 million

tone goods can be transported from different part of the east and the west. While on the other hand, in the means of energy projects, Georgia still maintain the role of significant transported of the Caspian oil that is very significant alternative source for the EU. By this way the EU may reduce the dependence on Russia or politically unstable regions like Middle East and North Africa (MENA).

From geopolitical point of view - "Georgia in a geopolitical rim land". There is no doubt that the country maintains its diverged geopolitical position, in the means of being on the border of sea and land power.

With regard to the geopolitical importance of Georgia, Professor and expert of Strategic Studies, Mr. Vakhtang Maisaia mentioned other reasons and advantages of Georgia. According to him, TRACECA project proposed by the EU in 1990 was one of the most sufficient one for development of the regional countries of the South Caucasus and the Central Asia. Also the creation of BSEC in 1992 was one step forwards for the development of Black Sea region countries. And Georgia was a main actor in this region and the organization.

Mr. Chitadze assumed that Georgia is attractive for the EU – "the fact that it borders the Russian federation, which is the successor state of the SU, it is crucial for Europe to increase influence over the south Caucasus regions, and especially over the Georgia."

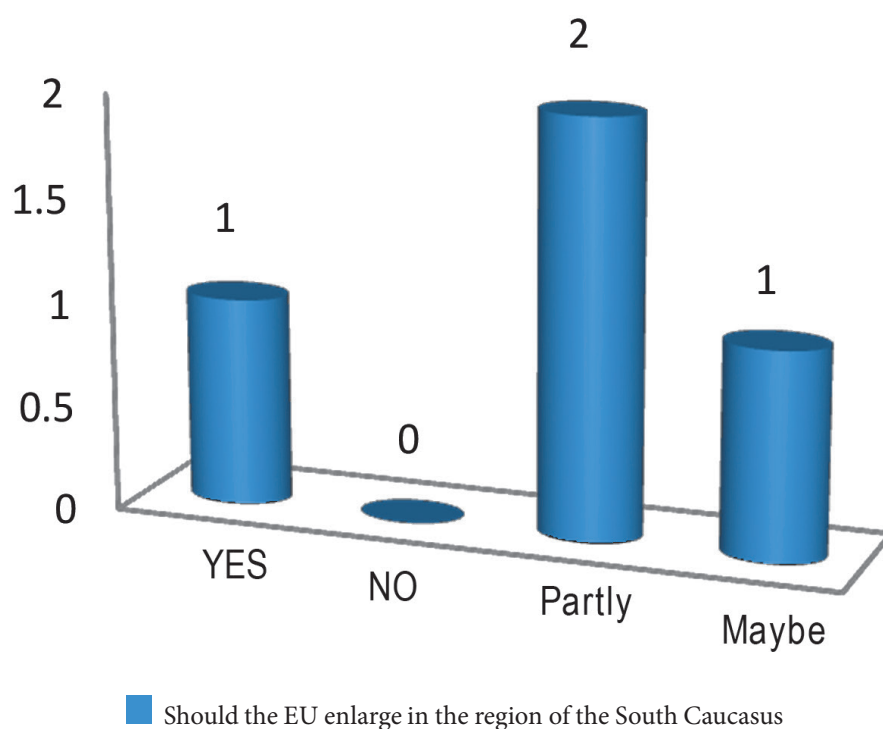
In upcoming question Professor Chitadze clarified the reason why Georgia may prevail over any other South Caucasus state. The reason for it sounds very simple, because Georgia officially declared its pro-European integration, soon after the collapse of the Soviet Union. And signing the Deep and Comprehensive Free Trade Agreement (DCFTA) was one of the arguments in this sense.

To sum up the arguments and the perception of the two respondents, the final result is the following – it is somehow complex issue to call Georgia as a model of the EU state or the only supporter state within South Caucasus region for Vakhtang Maisaia, he strongly believes that Georgia can be considered as an inevitable part of the region, and the region itself is very significantly tightened to the EU, that is why the interest of organization on the one hand and the interest of Georgia on the other hand may somehow overlap.

It must be figured out that according to Nick Chitadze Georgia is still suffering from the lack of rule of law, corruption, supremacy of justice, tolerance etc. that are the fundamental principles and values of the EU. But the expert claimed that there exist important and supportive arguments to assume that Georgia is clearly a state prevailing over the rest of the region, because of its transformation process and the attempts to create the model state of EU.

Final stage of the data collection process was to gather focus group. Members of the group generally emphasized the overall attitude towards the EU Eastern enlargement process. The fellow members of the focus group discussed about importance of integration process of South Caucasus in the EU. Especially one of the speakers expressed its willingness that Georgia should one day become the member of the EU. The only reason for it is that Georgia went long and "costly" way towards the EU. August War 2008 was one of the responses to Georgia for its attempts to integrate in Euro and Euro-Atlantic alliances.

Chart 1



Above given figure illustrates the responses of the members of the focus group, on the question whether the EU should enlarge and accept the countries from the South Caucasus region. As it is figured out basically the majority answered positively. This means that the importance of EU appearance is really high.

Another point of discussion was whether the South Caucasus countries satisfy the criteria of the EU and can these states be assumed as the model state of the EU. The final response to this question was diverged in its means; no exact and clear decision was made; besides some of the members of the focus group even assumed that the “heritage of the Soviet Union” is so much influential on the region that it is extremely difficult to maintain the European model system here. Still Azerbaijan as well as Armenia have high level of corruption, there is problem of human rights protection in some cases, they also have a selective justice – all of the above given reasons burdens the way of the region towards the EU.

Another very important issue connected to the process of integration was considered during the discussion. The problem of territorial integrity and clash of national interests within the region somehow creates a huge obstacle for any state carry on their duties.

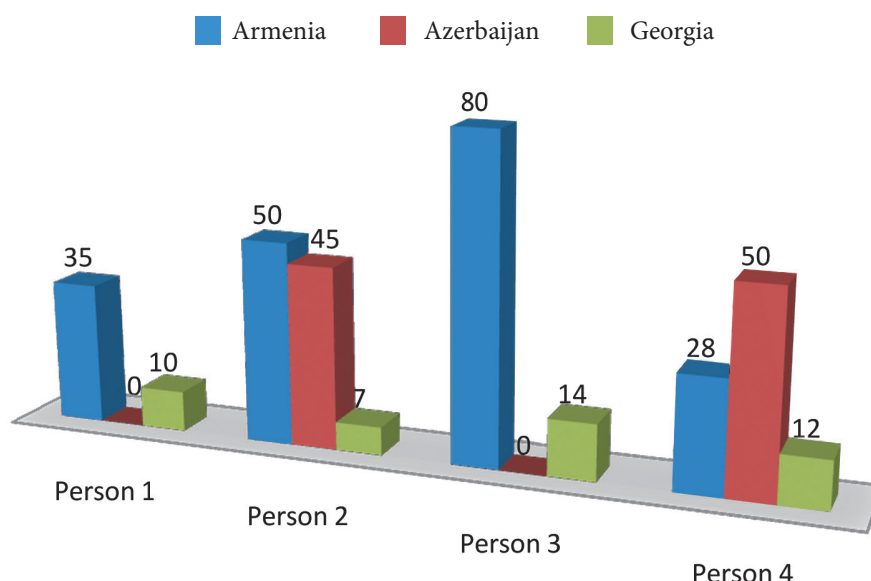
The members of the focus group figured out that Georgia has 20% of its territories occupied, meaning that it is still problem of protection of human rights, because approximately 50 000

IDPs exist in the country. So their problem must somehow be solved, in order to reach sufficient level of protection of civilian rights and minorities as well.

Last question was about the prediction of the focus group members, when and which state of the region would manage to proceed the integration process to the EU. Answer to this question sounds following:

**Chart 2:**

**In how long period of time will the regional states manage to access to the EU?**



The members of the Focus group labeled the following period of time (in years) for the regional states to access to the EU. Out of this chart, the only state - according to the fellow students – is Georgia that actually has the largest potential and prospect to join the EU, since it represents the best example of the model of the state of the EU.

### **Conclusion**

This article has outlined and analyzed the short-term prospects of the region of South Caucasus to continue its accession process to the European family. In the very beginning of the research a comparative studies and analysis were given on the example of the three largest EU states: Germany, France and the Great Britain. Their example was very significant in the means of understanding the importance of having long-standing history of democratic institutions, effective and active interconnection of the different branches of power, harmonized relations among the governmental institution and non-governmental ones. The basic principles of liberal ideology and the existence of the rule of law and the consent of the population to follow their obligations and do their rights – are considered to be the guarantors of the prosperous European society.

The study repeated Georgia's importance as a strategic link between Central Asia/Caspian and Europe. Being a corridor and having advantage to transport different goods from one part to another, made Georgia's image very attractive for everyone, for this very period of time the European Union.

The research demonstrated some very crucial issues connected to more political, geopolitical as well as geo economical aspects of the integration process. By the help of academic articles the main consequences were once again drawn in it.

The process of collecting data went through the help of the expert in the specialized fields, as well as the focus group assistance. The final responses gathered and analyzed draw the actual figure about the prospects of the integration process of the region of South Caucasus in the European Union. Among the

states of the region, Georgia has better conditions and creates better model of the EU state, while the rest of the states have their internal problems and confrontations. The fact that the interests of different countries and political units merges in this region is well-known, but it is noteworthy to underline Georgia's -standing willingness to integrate in the West. That is why for the past more than bring the country to specific standards, that will be acceptable for all over the Europe, and that will satisfy the needs of the population of the Georgia.

### **List of applied literature:**

#### **Books:**

1. Almond A., Bingham J., Powell Jr. (2007) – Comparative Politics  
ISBN-13: 978-0205529315 – 9<sup>th</sup> Edition
2. “Georgia’s Joint Need Assessment,” p. 27
3. Nugent N. (2010) – The Governemnts and Politics of the European Union
4. Sarıkaya Y. (2011) *Georgian Foreign Policy after the August 2008 War*.  
Karadeniz Araştırmaları 2011
5. Rose R. (2007) – Politics in Britain
6. Spineli A. (1985) – *speech*

#### **Web-sites:**

1. Roger Darlington’s World –  
<https://www.google.ge/webhp?sourceid=chrome-instant&ion=1&respv=2&ie=UTF-8#q=german%20political%20systemeee44>
2. Facts about Germany –  
<http://www.tatsachen-ueber-deutschland.de/en/political-system.html>
3. Official web-sites of the governmental institutions of France, Germany and the UK

# **The case of Georgia – Chances and Challenges**

*Annotation*

**Mariam Gachechiladze**

*International Black Sea University*

*Senior student of the faculty of Social Sciences*

**Instructor: Nick Chitadze**

This research explains how to construct a modern EU state, as well as main aspects of the creation appropriate government institutions based on the European values. In this regard the special attention is paid to the principle of the “check and balance system” between three main-executive, legislative and judiciary branches of power. Significantly, it is presented the comparative analysis of the political systems of the leading EU member states. Particularly it is explained the main political characteristics of the monarchical, semi-presidential and parliamentary systems of governance. In the paper the attention is also paid to the functions of civil society in different EU states and its role on decision-making process of the authorities of appropriate countries.

Coming to the main purpose of the research on building modern European state, the best example for it is Georgia. It is very interesting case in very diverged and important ways.

The study is conducted as part of an International Student Conference on the “Prospects for European Integration of the Southern Caucasus”. There are primary and secondary sources used within the data collection process. There are semi-structured interviews carried out with the independent political experts as well as academicians and professors of the International Black Sea University. The analysis of the interviews is inspired by qualitative content analysis. There is comparative analysis done on the tendencies of the past and today for the EU as well as Georgia.

As a result of the study, it is revealed the significance of the region of Southern Caucasus for its economic as well as political means. Strategic geopolitical location is one of the advantages of the states within the region to get closer to the EU. The common sense of interest and overlapping motives of different sides – EU on the one hand and the Southern Caucasus on the other hand - on different issues become vital to conduct the relations of these two political entities. Also very active and motivated nation like Georgia, for instance, create a wonderful precedent and clear evidence that the region has high potential for tightening links with the EU and have harmonized relations, by the help of modeling the modern European state.

## **Federation of European events in Georgia**

**Natia Todua**

*Caucasus University*

*Student of the second course of the faculty of Tourism*

*Instructor: Teimuraz Khutsishvili, Ph.D*

### **Overview of Event**

The brand image is very important for a well-planned event. Especially in Georgia, where a few years ago, “Event” management companies have a dream, and later was a rare luxury.

Company of Georgia currently has a lot of work in this direction. PR specialists also have their own experience of private companies.

Those who are interested in Georgian and Western experience, working in a variety of specialists advise:

It should be remembered that neither you nor your company are not home. The most important participants are the guests who attended the event. Therefore, according to their impression and positive emotions can measure the success of identification.

### **Georgia-based company “Georgian Events”**

Company

“In 1998, the Georgia” tropi Camel “in the service of the expedition, we were interested in the event industry and have created a” Georgian Events “. Partners and team members the ability to carefully listen to people, to see what they saw, what they feel and share their dreams was the motive force that helped create the idea and the determination of the content of the company.

### **Values**

We dream

We are fighting to the end

We adhere to the rules

We are fully committed to

We remember the heroes of our clients

We are responsible for everything we do.

### **European events, which were held in Georgia:**

OASIS Festival Mtskheta

Mtskheta hosted on June 22 and 23, the park’s EVENT- OASIS, i say that this kind of festival was first held in Georgia - out of the city, with tents, a lot of pleasant music and alcohol.

We spent two days at the festival and was pleasantly surprised that it was that almost all of the people attending the festival, and a positive attitude to all thanked festival organizers for the arrangement.

8 out of a thousand tickets for the 1000 purchase of 19 gels. The surrounding area hosted two days of Mtskheta-known European guests visited: Jacuzzi (Germany), juvenile (France), humeidhu (Denmark) and laudspikersi (Georgia).

(And this page finished video this band musician)

- **Privatbank (Georgia) became the Platinum Sponsor of the European Athletics Team Championship 3rd League**
- Privatbank (Georgia) will support the staging of the European Athletics Team Championship 3rd League, which will begin in Tbilisi in the month of June 2014. Privatbank will be one of the main Platinum Sponsors of the European Sporting Events, since a memorandum was signed with the Georgian Athletics Federation on January 15th, 2014.
- **Related Film Screenings**
- **Upcoming**
- **FILM SCREENINGS & EVENTS**
- **Arachveulebrivi gomopena [Neobyknovennaya vystavka] (An Unusual Exhibition)**
- 1968. USSR. Directed by Eldar Shengelaia. With Guram Lortkipanidze, Dodo Abashidze, Valentina Telichkina, Vasil Chkheidze. Shengelaia's reflective, provocative tragi-comedy introduces a sculptor who, in order to feed his family, develops a niche specializing in carving monument tombstones bearing the likeness of the departed.
- **European Youth Chess Championship**
- **2014 18 - 29 October, Batumi - Georgia**
- Festival Art Gene's main goal is to promote and popularize Georgia's traditional folklore, research and gather known and unknown materials of this field and introduce it to the general public, also to archive and preserve those materials for future generations. Festival presents and hosts concerts and events with participants from different parts of Georgia and the world and holds wide variety of traditional arts and crafts exhibitions and sales. Traditionally festival starts in regions of Georgia and continues in Ethnographic Museum of Tbilisi...
- The general format of the Festival is free style and contains both well planned acts and also leaves room for spontaneous improvised acts. Because of this cohesion environment Art Gene is well known for its fabiulas ethno-modern jam sessions and has given birth to several popular music and dance groups, which now are the part of our annual acts...
- Today, on the 10th year of our Festivals existence we can proudly say, that it is one of the most successful and highly attended events in Georgia with the wide audience of all generations and ethnicity. So we indulge you and your family to visit our Festival and hope to see you there!

### **Why Georgia?**

**Georgia** (Georgian: საქართველო, *Sakartvelo*) [1] is a country in the Caucasus. It lies at the eastern end of the Black Sea, with Turkey and Armenia to the south, Azerbaijan to the east, and Russia to the north, over the Caucasus Mountains.

Oliver Wardrop "Georgia's greatest strength is their dignity amazing! The deaths of Georgia just as soon as it is nice to see that people really loved the things people ... people who have heart discarded upon, fatigue and melancholy . even better potion can not get it to go and live in this cheerful and generous, honest and naive among the people. "

## **Federation of European events in Georgia**

### *Annotation*

**Natia Todua**

*Caucasus University*

*Student of the second course of the faculty of Tourism*

*Instructor: **Teimuraz Khutsishvili, Ph.D***

My information is about European events in Georgia. I think my theme is gonna be the main details of the measures, which incorporates the EU. The events that will be Georgia. I will also be talking about what values have events in tourism business and industry, which will affect the country. The opportunities in this field which is being adequately qualified issues as part of the European. I will speak on topics such as music or art paint film that forms on the event, which will tie to Europe. This is the most beautiful creations of human life.

I have my answer to the main question will be the topic. Why and how? For what?!

Thank you, perhaps my theme is going to be an interesting and enjoyable.

# Georgia's Religious-cultural Integration in Europe

**Nodar Kvaraia**

*Caucasus University*

*Student of the third course of the faculty of Public Administration*

*Instructor: Teimuraz Khutsishvili, PhD*

## **Introduction**

As far as religion and culture play important role in formation and functioning of political system, their quality depends on the existing political regime, as the political system itself is the unity of methods and means of policy implementation.

These are the tools for practical implementation of political and legal processes, management of relations, social integration, political agenda, providing stability and political socialization. Political system defines the place of religion and culture in political life of the country.

Today the choice of Georgia and Georgian people is the integration in Europe and implementation of European values. On the other hand religious and cultural values form the barriers in that process. To become the part of Europe it's important to assure the cases that Europe suggests. If we want to construct western democratic country it is vital to protect humans' right as it is made in Europe.

It's also important to refine and improve other issues in order to achieve the goal and become the member of Europe, maintain the values and principles that are owned by our country and not only just get the status. Here's the religious-cultural obstacles, as I have already mentioned above religion and culture generally plays special role in political and social life.

There are some laws that are in contradiction with our culture and religious dogmatic and cause various attitudes among society. For example I can name anti-discriminatory law which was recently initiated and ratified, that I'll discuss below in the topic. I want to draw attention to the countries like Greece and Cyprus that are close to our religion and culture and now they are the part of Europe.

I will talk about the ways that they have gone through the integration, if they had hard political-cultural circumstances when the law wasn't in accordance with religion. I want also discuss the case if there are any dangers for our culture and if it's correct to mention as though European integration causes decline and metamorphosis of our culture.

Also I want to discuss those important issues connected to the state as for lay and clerics, obviously those characterizing cases that regulates their relations. If it's fair according to nowadays Georgian constitutional laws to do good to one religion, the fact that state only funds the Orthodox Church and not other confessions even the minorities who pay the taxes similarly to orthodox ones.

If it is important or not to copy the democratic principles in Georgia as it is in the west, or to make European values suitable to Georgian values. I will try to discuss Anglican, Catholic, Muslim religions' role in those countries that represent Europe today. If there's any protest against the law, what are the means, how's the fight against the law. These are the topic issues I am going to introduce and discuss with you, I'll do my best to provide interesting and crucial questions around the topic.

## **Georgians choice and European values**

Historically Georgians have chosen Europe and its values. Still in B.C. there were traces of European values on the historical land of Georgians that are uttered in Greek colonies. There were plenty of city-

states like Pithiunti (Bitchvinta), Dioskuria (Sukhumi), Gienos (Ochamchire), Phazis (Poti). As it is clear Greek culture was the background for European values and principles. So, we have been in touch with European values since early age. It is the significant circumstance that Georgians have been in close relations with Europe.

Empires that were on the territory of Europe always have chosen Georgia as the friend country and strategic partner in one of the most important region-Caucasus. Georgians have a lot in common with Europeans. Several times the fortune had crossed the ways of Georgians and Europeans. If we go deeper we understand that during the independence of Georgia it has always been devoted to European values. Orthodoxy was the religion that was spread in first century B.C throughout Europe and Georgia played important role in getting closer Georgia and Europe. Moreover, I want to emphasize the fact that first meeting in Nicaea which is known as 'first Council of Nicaea' was attended by the Bitchvinta Bishop, the fact itself speaks about the close relations that Georgia had with Europe and that Georgia was valued part of it.

Our country had always had enemies as inside so outside, despite it has lost numerous wars, it has always stayed devoted to European values and principles, the fact of protecting antique Greek and Christian values proves it.

Georgia always stood as a guardian of Europe's key principles, as mostly Europe was in danger from the east until XV-XVI centuries and Georgians were leading to protect the Christianity. They fought to keep the values for the sake of Georgia and whole Europe. Unfortunately in 1801 misfortune bell was rang, Georgia was annexed and it was the beginnings of 200 years of suffer.

There were numerous rebellions demanding the freedom of Georgia but they were all in vane. From that period Georgia was separated from its friend – European people. Later in 1918 Georgia gained independence and there was a sparkle of hope to return back to European family. Political situation made Europe to refuse the old friend. A lot of Georgian public figures and politicians did all their best for implementing the choice of Georgian people-return to its historical friend - Europe.

Though the wish of Georgians weren't fulfilled and again in 1921 rechanged wicked- Soviet Union absorbed Georgia. The most harmful and horrible era has started for Georgians. The period had negative impact on the mentality and traditions. So Georgia became the tiny part of a huge machine known as Soviet Union. Thus, there was young hyper patriot Georgians with 'boiling blood' who had call from their ancestors and they were continuing ancestors' work. Zviad Gamsakhurdia and Merab Kostava were such young people whose attempt and devoted struggle against Soviet Union lead Georgia to 1990, when the desirable independence was gained. Since then Georgia has continued search up to date and we are doing our best to get in Europe-to our old friend, after being captured unfairly for 200 years by wicked system.

Referendum held in 2003 proved the choice of Georgian people that they wish to be the part of Europe. After that Georgia has started to create essential laws and institutes. While being outside Europe there has been huge success and development inside Europe. Now it's our turn to catch up to Europe and its values that had been so desirable for our ancestors, who dreamed and fought during 200 years and today due to their devotion we have the opportunity of choice.

European values: human dignity, freedom, democracy, equality, vision that protects human rights, minorities's rights are the goal of Georgian people and Georgian state. Georgia tries to form the institutions that support above mentioned values improvement on the territory of Georgia and tries to remake

the distorted institutions which don't work for the goals; it prevents the country to become the western type worthy state.

### **On the way to Europe**

As it was expected the way to Europe has been hard and full with obstacles. In 1990s situation was quit hard in Georgia. Difficult economical and political condition led the country to civil war. The constitution adopted in 1995 was the background of stability and peace inside the country. After elections government and ruling party were formed, of course these were first steps towards democracy but a lot of things were imperfect and faulty.

Numerous problems existed in the country: political-economical, social-cultural, human rights violation, inequality, bribery, corruption and so on. These problems caused revolution in 2003 which exploded among Georgian people. This revolution wasn't organized by any political party; it was just the call of Georgians who were tired of regime and awkward system they were living in. Since 2004 new government started the policy based on European values.

They eliminated corruption and bribery that was the hardest point in reality. Reforms in different fields have started. A reform in Internal Affairs Ministry was followed by positive results and affected on inner situation. Second was an educational reform which supported examination system to be held in fair condition and that gave equal opportunities to students to fairly entering universities. Also reforms were implemented in health and social care, culture, sport, economic, defence, environment protection, agriculture, infrastructure, external affair fields. Reforms promoted the country in formatting democratic values and supported the way to Europe. In this period there were formed formal institutions functions and goals, numerous informal institutions were eliminated in order not to cause inner conflicts. Such informal institute was 'criminals world'. Strict measures were taken against them and as a result we got stability in political and economical fields.

The budget was increased and economical growth was from year to year. Meanwhile we received support from partner countries and Europe too. Resonant cases such as November 7, 2007 and May 26, 2011 are still the 'black spots' for previous political power. 2012 was one more step forward towards Europe and towards forming democratic country, as parliamentary elections proved to European and foreign observers that there was growth in quality of democracy. As a result of elections the political power was transferred to new political power without any difficulties. This fact itself speaks about the high standard of democracy. Our country went through cohabitation which meant two different political parties' functioning in executive power. This is the field where the growth of democracy is vividly seen.

Georgia has gained democracy for two decades and experienced many obstacles. Georgian nation tries to develop the country and not to repeat former mistakes. We try to transform the country to better world with the help of European friends and American partners. Probably after several generations our country can be the member of west democracy, as now there's a process which has started not only in 1990, it had started from European roots together with antique Greece.

## **The State and Concordat**

One of the most important case for west democratic countries is the relation between state and religion. Georgia similarly with west countries doesn't have state religion, but on the bases of

concordat there's Constitutional Agreement between State of Georgia and Georgian

Apostolic Autocephaly Orthodox Church. The reason was Historical contribution to the country's affairs. On the bases of the agreement was formulated the rights and responsibilities that obligates both sides. I will try to discuss some points from this agreement, Article #4

Ecclesiastics shall be free from draft.

2. The State in compliance with Church shall provide creation of priest institution at armed forces, prisons, and jails. The State shall adopt proper legal acts.

3. The State and Church shall be authorized to exercise joint social programmes for the population.

I'd like to start from the first aspect, I want to emphasize that not only Orthodox clerics are free from military service but all clerics, that's clearly mentioned in the law concerning Military service. There are some questions about second aspect which is regulated by the Presidential decree about Chaplain Institution, according to the decree only Orthodox priests can become Chaplains. Here comes the question: isn't that violence of equality principle, as other minority like catholic priests have no right to become Chaplain. This factor can be disturbing in the process of implementing European values. Thus, we all agree that one of the most fundamental gains is equality.

Around the topic there are various opinions in society. Some considers that there's no need of Chaplain Institute, while others think that it's crucial and vitally important for the Georgian soldiers. All of them have own arguments. Pros consider that it's necessary for soldiers to have met material and spiritual needs. There's necessity of the institution as soldier can be in hopeless condition or be wounded. Cons think that there's no need of such institution, as Georgian soldiers can address to their spiritual fathers in anytime they wish.

Also, some consider that Chaplain institute is only for Orthodox priests, that is in contradiction with the most important principle of democracy and it disturbs right of equality, they consider that this law either has to be cancelled or the representatives of minority religions be given the same status. Third aspect, The State and Church shall be authorized to exercise joint social programmes for the population; it doesn't exclude the fact that the events are possible to be implemented together with minorities.

Now I will talk about the funding that the church got from the state, according to the latest period only Orthodox Church was financed from the state and other religions didn't get any. It is the rough violence of the equality principle. As it is clear majority of Georgian population are orthodox, at the same time all citizens of Georgia (including minorities) pay the taxes, so the state is obliged to finance not only separate religion but all religions existing in its state. For sure, the funds must be proportionally given according to the number of the congregation. Today all religions in Georgia are equally financed by the state. But there are again various attitudes towards the topic and the views of citizens are different. NDI has done survey about this issue. According to it 74-75% had no idea that the state was financing the religions. 55% of population justified the fact that Orthodox church was getting 25 million GEL, and 21% doesn't support it. The majority of population doesn't justify the fact that different religions like Catholics, Armenian Church and Islam communities are funded by 4,5 million GEL.

From the survey its vivid that population's opinion is divided into two: first part thinks that the state shouldn't finance minority religion representatives, while second group thinks that its fair religions to be

financed by the state. Now let's take Germany as an example, where religions are financed from the taxes paid by the population that is actually voluntarily done. In this case of Germany the state plays the role of administrator. We can also discuss the case of Greece where Orthodox Church has a fund and congregation sends donations to that fund. At the same time the state supports Orthodox Church as it pays less tax and in some cases the church gets back the paid taxes. It proves that in Europe there are countries where churches are supported and it's normal that the church is guarantee of spiritual peace and source of spiritual growth.

### **Religious and cultural factors on the way of constructing European state**

Religious and cultural factors always has played important role on the way of constructing a state. We have to think firstly about the thing that there are a lot of nations with own culture, religion, tradition that forms their countries on these bases. For example we can take England and France. You all know that England is guard of traditions; clear example is the fact that England is constitutional monarchy. For them queen isn't only a political figure, she is the part of traditions. Also, Paris is recognized as the city of love and still up to now it keeps the status-that's also part of tradition.

The states try to form the institutions that are appropriate for their culture and religion, but during the constructing process some problems has arisen. International organizations try to protect human's rights and freedom, European convention proves that fact. It can be said that this document is the treasure of mankind as there are given the basic rights that a human owns, there's no chance to build the democratic western type state without this basic principle. Georgia is the member of that convention and it tries to arrange the inner institutions in order to be guaranteed and protected the human rights not only accordingly with convention but it to be followed by the existing laws in Georgia. This process is tough as on the one hand Georgia wants to become democratic valued country; on the other hand these cases are in contradiction with Georgian culture and religious dogmatics.

I will discuss the last month events, as the antidiscrimination law that has already been ratified is actively discussed in society. According to this law constitutional right has declared deeply. This Law is intended to eliminate every form of discrimination and to ensure equal rights of every natural and legal persons under the legislation of Georgia, irrespective of race, skin colour, language, sex, age, citizenship, origin, place of birth or residence, property or social status, religion or belief, national, ethnic or social origin, profession, marital status, health, disability, sexual orientation, gender identity and expression, political or other opinions, or other characteristics. The Orthodox Church in Georgia announced its negative attitude towards the law and it demands the aspects: sexual orientation, gender identity and expression to be cut out of the law as it is in objection with the church canonical and is immoral and it supports the propaganda of the idea.

But the law itself includes aspects that are in the constitution and it is the part of state values and principles. Today west democratic countries are oriented on a human being and its rights. That's why it's important for Georgians to realize that the law provides the protection of human and it's not a propaganda of sins. In church itself there are different views about the case.

Some consider that this law doesn't contain any danger against the Orthodox Church, but majority consider that this law supports the promotion of debauchery. The constitutional agreement between the state and the church is the background for the both sides to be independent and not to be responsible before each other. The state cares about its citizen irrespective of ethnic group or religion, and the church cares about the congregation and Orthodox followers.

The obligation of the country is to let their citizens express themselves irrespectively their background. It's clear for the majority of Georgian that religion is the key aspect of our culture, though we shouldn't forget that we are multicultural and multiethnic country and we are obliged to respect each citizen of our own country. This law has to eliminate the discrimination despite of its type. The main value of the country should be a human being. On the one hand it's clear that 'buggery' is the hardest sin in orthodoxy, but in the Bible there is written: we have to struggle against the sin and not the sinner. To my mind ratifying of antidiscrimination law is absolutely correct as it protects human (the sinner) from difficulties that can arise due to their characteristics.

This law doesn't protect the sin and clerics can struggle against the sin but not using 'stools' in the heads, but with their speech. Also I want to remind the words of our Patriarch: we can't defeat evil with wickedness. It's impossible to contradict the sin against the sin. The sin is the fact that happened on May 17, 2013. According to Orthodox idea and studies- a human being is the key value and we have to remember that we can't bring a human to death. Moreover, it doesn't matter whatever sinner a human is, especially then the case when sin harms only person himself, we don't have right to judge one. I want to bring an example from the Bible which emphasizes the fact that no one has to judge anyone.

The story of a woman caught in adultery, and people wanted to stone her. Jesus replied: "All right, but let the one who has never sinned throw the first stone!" but the accusers slipped away one by one, as everyone was sinned apart Jesus. So before we start to judge anyone we have to think ourselves, do we have right to point to sinner when we are sinned ourselves. Everybody who discusses this law speaks about the sin of Sodom and Gomorrah and they consider that only 'buggery' is included. But those are not true; other sins like murder, violence, disrespect of parents and so on are the part of Sodom-Gomorrah. So we can conclude that only above mentioned sin can't be the reason of tragedy, generally lots of other sins are common in the world.

Europe has seen the actions like May 17, 2013, these aren't the characteristics of democratic, western values. That's why we are obliged to create the institutions and laws that protect the human beings to express themselves. Despite of the fact how big can a danger be, the state is responsible to protect any citizens' rights and to support the realization of that right.

### **Greece and Cyprus, on the way to Europe.**

Firstly I wish to talk about Greece. As in Georgia so in Greece majority of population are orthodox. Before entering the European Union there was a problem whether Greece belonged to Europe and West values or it belonged to East. The supporters of western values considered that Greece was the part of west as they were conducting liberal ideas. The east part represented the Orthodox Church that clarified that Greece had to maintain Status Quo. They wanted the cases like religion, tradition and social hierarchy to be protected. This problem was actively discussed until it became the part of European Union, today still there exist similar issues and problems.

Still in Greece there's a contentious issue between the state and religion, as there's no separating margin among them. Here comes the question: how can be the gap filled in political, economical and cultural fields in the country where people are living with western values but territorially and traditionally they are of east characteristic. This factor is the key indicator of creating troubles between Greece and European Union. Religious factor is the one that makes the tensed situation for the state itself, as they haven't still managed to separate strictly the church from the state. Today, that's main trouble making aspect in modern Greece. Greek people are directly associated with orthodoxy, but this not correct, as in Greece there are representatives of different religious minorities. And being

Greek doesn't mean to be characterized as only orthodox.

That's why the state has to strictly manage separation of the church from religion. Before Greece became the member there had been the troubles which were caused by the church as they demanded the traditions and religious dogmatics to be protected. There were some cases where the consensus was not achieved. Antidiscrimination law initiated from the European union as followed by intense response from the society, though it was ratified. That proved declaring fundamental values characteristic for west countries. As Greece is multicultural and multi-ethnic state the rights and interests of minorities has to be defended equally.

The second country - Cyprus I am going to discuss is close to Georgian culture and religion. 90% of population is orthodox and the rest 10% represent other religious minority. The country has a difficult location. The island is divided into two parts, one part controlled by Turkey and another one was formed as independent country. Before becoming the part of Europe in Cyprus existed problems connected to the church. Though the anti-discrimination declaration was met with noise, the state had firm position towards the law and ratified it the way it was introduced by Europe. Despite of tensed religious condition the state of Cyprus stepped forward to Europe and to construction of western value country. It distinctly expressed its position concerning the protection of sexual minorities while the church openly contradicted such issues. For last ten years Cyprus has been the best example of the country which has constructed democracy, independence, equality values and principles, has established institutions characterized by western values.

European Union tries to improve the protection of human rights in its member and partner countries. It supports the countries to change and create the laws which will be suitable for key values that a human being has. Today, Europe seeks to protect human for any costs, if before the idea was valued, now human being is priority. Mankind is improving and developing and it learns on its mistakes, but we have to remember antique Greece, where the human was core of everything, and later The Renaissance and regeneration era put the human back to its own position. Educators of last centuries made it possible to create the human as significant value and established the set of system we are today constructing on. Our ancestors gave us the plan that we have to accomplish because a human has to quest for happiness (as it is mentioned in American constitution), these are not just words, as all human being has the right of happiness and freedom. This is the essence of the Lord to human being and we have no right to interfere human in selfrealisation.

### **As a Guard of Georgian culture.**

Some part of Georgian population considers that integration in Europe will cause losing national identity such as culture and tradition. There's less chance of it. I will try to formulate why there is no need of being fearful.

Of course, joining Europe it doesn't mean to deny own traditions and culture, moreover we can introduce our identity in European space on the bases of our multicultural and traditional profile of our country. For example, if we discuss European countries that are special for their tradition and culture. Firstly, France comes to my mind with its outstanding culture and customs.

They haven't lost any single bit by joining Europe. In the case of England we can all agree that it is one of the most traditional countries in west Europe. They haven't lost national identity; they just were in the center of attention with their identity. That's why we have to take into the consideration these facts; consequently national identity can't be lost. Georgian songs and dances, Georgian cuisine and other aspects

of tradition and culture will be presented and introduced on European market. Georgian people no ways loose the identity they will have opportunity to promote Georgian values, spirit and principles.

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# Georgia's Religious-cultural Integration in Europe

*Annotation*

**Nodar Kvaraia**

*Caucasus University*

*Student of the third course of the faculty of Public Administration*

*Instructor: Teimuraz Khutsishvili, PhD*

This conference theme is about Georgian History, its religious, culture, tradition and how Georgia was connected to Europe in early ages. In this term-paper I discuss what kind of relation was between Georgian's and European's ancestors. There are several things which helped our ancestors to make connection with Europe.

At present, and Georgian public's choice is European integration and the implementation of those values, which comes from Europe. It should be noted, however, that religious and cultural values create some kind of barrier to this process. I will discuss what kind of problem can be arisen and what kind of measures should get government.

## **“Disabled people in Georgia and their future in Europe”**

**Khatia Chikovani**

*Caucasus University*

*Student of the second course of the faculty of International Relations*

*Instructors: Guranda Chelidze; Ketevan Mukhiguli*

In general, the right direction of Georgia's development is the way to Europe. Our priorities are not the secret to the world today, we want Georgia to be developed as other European countries, but only wish is never enough. There are many unsolved problems in Georgia and one of the biggest problem is the condition of disabled people. My topic today refers to the condition of blind people in Georgia and their future in Europe. I will try to show you main differences between Europe and Georgia, which stand as the obstacles along the way of Georgia's development. Relying on sources gathered by me on this topic, I made a study and going to introduce the results to you afterwards, but before let's look at the whole picture briefly by comparing the conditions of blind in Georgia and Europe.

Democratic principles state that all humans are equal, nobody shall be discriminated, because the rights of each given individual are universal, inviolable, inalienable, integral, interdependent and related. The government must treat all citizens irrespective of others, including people with disabilities.( Source: USAID-“Democracy and Citizenship”) Europe is the best example of the implementation of democratic principles, the problem of integration of blind in society doesn't stand out as much as in Georgia. Today Europe creates conditions to blind, that clearly help them in adaptation with environment, unfortunately, it's not the case in Georgia. Despite of the progress of our country, blind people in Georgia are still in a very need of social and technical support.

It should be noted that the government of Georgia carried out several programs for blind integration. Via support of Ministry of sport and youth affairs of Georgia, blind were involved in certain sports activities. In 2013 salary supplements were given to the head of chess team, successful sportsmen were given an opportunity to compete in international tournaments and take part in events. (<http://gbu.ge> ). There is a 50% discount for blind while using public transport, also 70gel is given to blind as a monthly pension (<https://matsne.gov.ge/>). As shown, in general there is a progress in the area of blind integration, but clearly it's not enough to create adapted environment for them.

What is adapted environment for blinds? How can we help them out? Surely, the most accurate answer to these questions only blind people have. So for the next step of my study I visited “Georgian Blind Union” and interviewed some members of this union to hear what is really done for blind and where is a need. Throughout the conversation they shared a lot of problems and pointed to procedures which they think are vital in creating a better environment. These are some of the problems and solutions stated by blind people I have talked to:

- ✓ They are in need of adapted environment and guide provided by government.
- ✓ Public transportation full funding.
- ✓ Ocular prosthesis surgery funding.
- ✓ Bright yellow or white Underground entrance for their secure movement.

Indeed all of them are notable and need to be considered, but the problem of ocular prosthesis turned out to be a major one in those stated. They told me that this was the very first thing they would like to see solved. 5000gel annually is the amount of money for solving a problem. Several times they reached out to Ministry of Health for help, but no one involved in the aid program. I asked for calculations, how they got to this price. They told me that the majority of 3300 registered members of union are in need of ocular prosthesis. Average cost of prosthesis is 300gel with 2-3 years of validity after purchase. So government is not acting towards solving this problem, but there is a non-governmental organization called “Let’s be friends with blind people”, which I discovered online, with primary goals to help disabled people in social, cultural ways along with psychological rehabilitation. Mr.Gia Jvarsheishvili, founder of this organization, told us that, both on official and non-official meetings with the government representatives, related ministries and via media sources they approached them with this request, but were not able to get a support. An organization itself tries to help blind, with raising capital for them from charity events and other tools.

Now let’s overview general situation in Europe, where there are a lot of programs dedicated to help disabled likes of: “See More”, “Be Active”, “Help the community”, etc. They help blind a lot, like providing them with guides, special accessory and tools and even trained dogs sometimes. It’s enough for blind to fill out an enrollment application of charity programs and to resort to the relevant institution. ( <http://www.sightsavers.org/>) Unemployment isn’t a major problem, also blind people are well-paid and they are pleased with their works.(<http://www.disabilitylawyervirginia.com>) This is how the problem is really solved. In contrast, there are no guides, special equipment provided, training dogs, painted undergrounds and likes in Georgia. We’ll come back to all of these problems later, but first let’s discuss the main and urgent problem of blind people as the state – Ocular prosthesis.

According to blind, those who need ocular prosthesis have to go to Europe, US or elsewhere abroad. While searching online we discovered “Valters’ Prosthetic Laboratory” that turned out to be the only manufacturer of ocular prosthesis in the Baltics. We found out that they used to have branch in Georgia, but I couldn’t contact with them (<http://www.vpl.lv>).I decided to talk to local doctors about the prosthesis in general. In one of the clinics located in Ortachala I met and spoke to an eye doctor, who pointed out that ocular prosthesis doesn’t hold any benefit to its owner and visual statement is the only thing it stands for. In reality cosmetics is not the only part of prosthesis, it holds specific medical and preventive abilities. The surgery is widely held in Europe.

One of the problems given above is underground situation. Painting its entrance with bright colors is a standard supported by Europe. I myself went to Tbilisi city hall, wrote a letter to vice mayor asking to provide the stuff for painting works in Tbilisi undergrounds. Three weeks later I received a letter from them, my request was denied with no further explanation whatsoever. If anyone tries to paint underground entrance by their own will be fined for the violation of the law. The problem is that government doesn’t take care of this problem, on the other hand, we people are not able to do anything because of the law. No help for secure movement for blind.

As for Europe, besides that these problems are solved for a long, they don’t stop progressing in this area. Every year there is more and more offers to help disabled. Likewise: All around the Europe there is a “EBU” (European blind union) operating and actively working to help blind people in different countries ([www.euroblind.org/](http://www.euroblind.org/)). Multiple charities are actively involved in supporting disabled. Here are some activities they held:

- “Inclusive in Europe: Disabled person in today’s society”-conference held in Vienna. Local and blind from abroad attended an event. Transportation of blind and guide provided were the topics discussed. The resolution was approved.
- 22th may, 2014. World Health Assembly unveiled a plan of action, containing:
  - Development of availability for blinds for education and health programs;
  - Technology innovations;
  - Updating studies on blind.

AS we can see Europe is clearly on another level in helping blind and the opportunities they give to each disabled individual are great and maximized as possible.

Despite of the criticism of Georgian government, there is one thing we can count as an excuse. On 26<sup>th</sup> December of 2013, the parliament of Georgia has ratified (UN CRPD) Convention of 2006, which is on the Rights of Persons with Disabilities and was put into effect on April 12 of 2014. According to convention Government has to create accessible environment for disabled people to be able to live independently, integrate in society, get education, work, to live without discrimination, like the rest of mankind (<http://www.un.org/>;<http://parsa.ge/>.)

Ultimately let’s hope that the National action plan will work out and Georgian blind will benefit from it, their live will become better. If we will continue this road, one day we may be able to create healthy, adapted environment for blind. I also view EU Association Agreement another factor in our future success. The standards they provide will surely reflect on disabled and their well being. And last but not least, there’s no country without an individual, no Europe exists without one either. So taking an example from those individuals, for us Georgians, is as important as Georgia taking steps once other European countries took. During the study I used different methods of research: interview, sources and information from books and internet.

#### **My recommendations are given below:**

1. Providing blind with guides, who are paid by government as an ordinary employee;
2. Funding ocular prosthesis surgery;
3. Adapted environment for blind:
  - Painting underground entrance with bright colors, making roadside
  - Providing white cane;
  - Providing blind with wristwatch with sound;
  - Voice traffic lights;
4. Holding charity events around the country;
5. Providing Braille script books for educational purpose.

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## **Disabled people in Georgia and their future in Europe”**

*Annotation*

**Khatia Chikovani**

*Caucasus University*

*Student of the second course of the faculty of International Relations*

*Instructors: Guranda Chelidze; Ketevan Mukhiguli*

The main thesis of my scientific article is to show some fundamental problems of blind people in Georgia and try to improve their integration in civil society. I've compared conditions of blind people in Georgia and Europe. I want to describe what are the main differences and tell how it's important for Georgian nation to pursuit of European standards.

I want to blind people to feel like independent citizens and weren't distinguished from others, because democratic state guarantees each inhabitant to be equal in rights and be protected.

As for me, this problem should be considered by whole Georgian nation and they should try to do something for them, because help from society is the most important thing for disabled people. Also if we want to live in a democratic country and pursuit to European standards, not only the government, even each citizen is obliged to help and protect others rights.

I think that it will be interesting for the listeners to show how European countries treat disabled people and compare their conditions in Georgia. We should know why they are such respected personalities and their greatest will to be like others. They don't need our compassion, they need support.

I've my own decisions how to solve this problem: make an adapted environment for blind people, available medical treatments and technical equipments, carry out nationwide charity actions and Etc. Differences between European countries and Georgia, examples of government attitude toward blind people will help me to prove my ideas. I used different methods of research: interview, sources and information from books and internet.

# **Problems and prospects of economic cooperation between Armenia and Georgia in the context of integration processes in the Eurasian space**

**Lida Mnatsakanyan**

*Russian-Armenian ( Slavonic) University*

*Master of the second course of the faculty of Financial Economics*

*Instructor : Mariam Voskanyan, PhD*

As the accelerating processes of globalization of the modern economy, more and more countries are starting to look for efficient ways of deepening integration relations with its neighbors. Each country, depending on the particular stage in the formation process of the integration unit has to face the same way and with the impact of certain adverse effects that can negate all favorable expectations. In this regard, the task of the scientists-economists of modern times is finding a complete set of preconditions necessary to ensure the process of forming the optimal integration space. Armenia and Georgia at the current stage of economic development took the responsible decision to join the EEC and the EU. On this basis, it is important to emphasize the special importance and urgency of the problem of evaluation of characteristics further cooperation between Armenia and Georgia due to integration in different blocks. In this regard, the aim of this study is, firstly, to identify the level of current cooperation between Armenia and Georgia, secondly, the assessment of their economic cooperation in the context of integration processes in the Eurasian space. To achieve these goals a detailed review of the theoretical aspects of the creation and functioning of the integration of the Union was conducted, the works of a number of scientists were studied who have played a significant role in the development of the modern theory of economic integration. Next, on the basis of theoretical developments, positive experience of creation of European and Eurasian customs unions was studied. The analytical part was carried out qualitative and quantitative evaluation of all positive and negative effects of Armenia's accession to the Eurasian customs Union and Georgia in the European Union, and concluded with a series of recommendations for the implementation of structural adjustment Armenian and Georgian economies and their adaptation to the conditions of integration processes.

The theory of economic integration was originally based on traditional trade theory, assuming the existence of perfect competition and focusing directly on the problem of efficient distribution of goods produced (Imbriani Reganati 1994) formed according to the theory, the main prerequisites for the creation of optimal regional integration units are the removal of tariff and non-tariff barriers between members of a single space, the implementation of a common foreign economic policy towards third countries, as well as ensuring the free movement of factors production within the integration unit.<sup>28</sup> The problem of optimal formation of the customs Union is the central in the theory of international integration One of the founders of the theory of international integration Jacob Viner (1950) in his writings has identified two major effects observed during accession to the customs Union. First, it is the effect of making the trade due to the emergence of new trade and economic relations between the subjects by reducing tariff and non-tariff barriers to goods coming from countries-members of the customs Union. Thus, according to Wiener, this effect has a positive impact on partner countries in the customs Union, and in certain circumstances may also favorably affect the dynamics of external trade with third countries. However, according to the Viner theory, due to the elimination of border duties within the customs Union is a reorientation of consumer demand with relatively competitive goods coming from third countries to the relatively non-competitive

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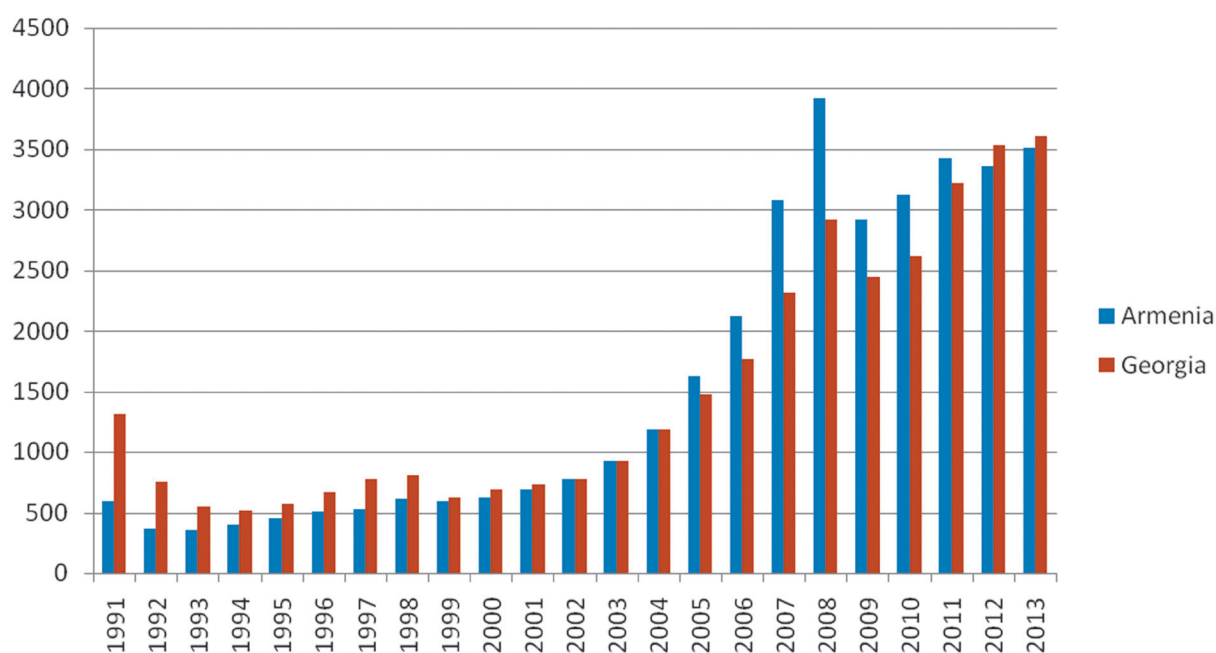
28 <http://uir.unisa.ac.za/bitstream/handle/10500/2075/dissertation.pdf?sequence=1>

goods produced, however, within the customs Union. This in its turn leads to deterioration of consumer welfare within the customs Union. However, it has a negative impact on countries that are not members of the customs Union. The above phenomenon was called the effect of trade diversion.<sup>29</sup>

It should be noted that in addition to potential changes in the geographical structure of imports, the change in relative prices may lead to a shift in consumer demand from domestic goods to goods produced in the territory of the customs Union partners. The study of these processes were devoted to the works of Meade and Gehrels. Thus, according to Lipsey, we can identify the prerequisites for the formation of optimal integration units. First, the higher the share of international trade in individual countries, coinciding with the emerging countries of the customs Union, and the higher the share of consumption of domestic goods in total domestic consumption, the greater the potential positive effect of entry into the common customs space.<sup>30</sup> With this view, countries that match the above patterns have a chance to feel the benefits of entry into the common customs area.<sup>31</sup>

From the day of independence of the Republic of Armenia 22 years have passed, which is a sufficient time period to assess the current situation of the economy. Over the past 5 years there has been a significant lag on indicators of living standards and economic growth potential. For example, if we compare the standard of living in Armenia and Georgia, we note that since 1991, Georgia was far ahead of us, GDP per capita from 2005 to 2012 Armenia slightly stepped forward. However, after the reforms of 2008 the level of life in Georgia has increased significantly.

**Figure 1.** GDP per capita (USD)



**Source:** <http://data.worldbank.org/>

Current state of trade flows to Armenia with neighboring countries due to the current geopolitical situation is very unfavorable for the development of regional trade relations. The border is closed between the two neighboring countries: Azerbaijan and Turkey. The border between Armenia and Azerbaijan was

29 <http://www.econ.umn.edu/~jchipman/econ8402f06/REPRINT.pdf>

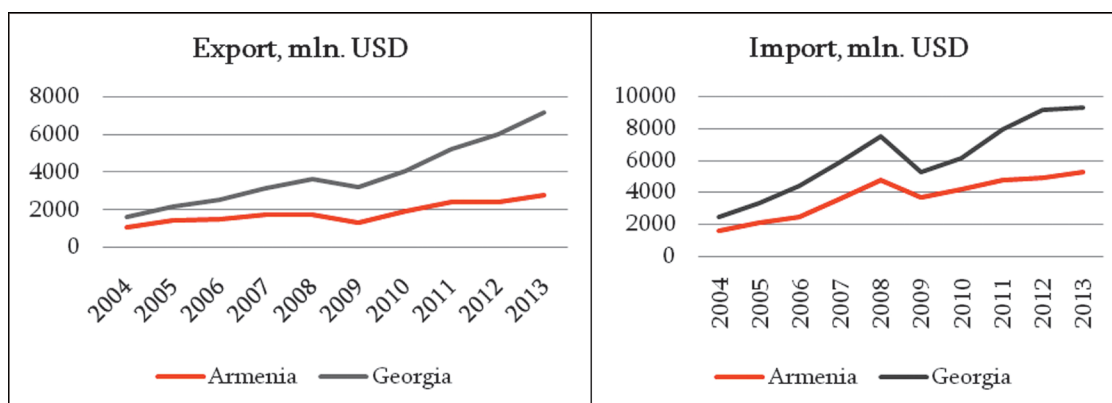
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closed in November 1992, when Azerbaijan was blocked by a land connection with Armenia since the beginning of the Nagorno-Karabakh conflict (Iskandaryan and Minasyan, 2010). In 1991 Turkey was one of the first countries to recognize Armenia's independence, but the war between Armenia and Azerbaijan in Nagorno-Karabakh prompted Turkey to close the border and stop diplomatic relations (Giragosian, 2009). Also in Armenia and Turkey is the opposite of estimated events of 1915: the Armenian authorities insist on the international recognition of these events as genocide, the Turkish side denies this fact (Giragosian, 2009).

Thus, a land connection with Armenia is only possible through Georgia and Iran. Thus, we will analyze the foreign trade relations of Armenia with Georgia and their changes in the context of integration in different economic blocks. The dynamics of trade flows Armenia and Georgia are presented in Fig. 2.

**Figure 2.** Foreign trade flows

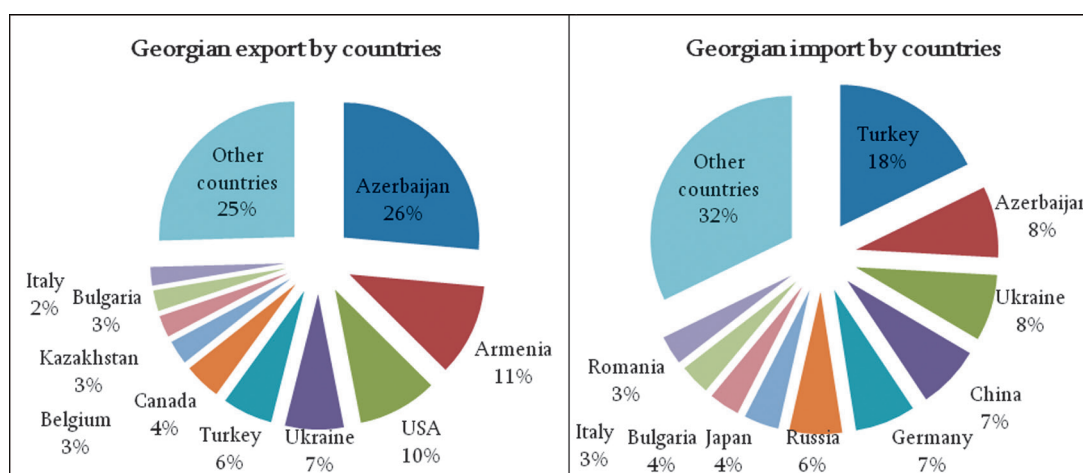


Source: <http://data.worldbank.org/>

As can be seen from figure 2 and in Georgia and in Armenia's export exceeds import significantly, i.e. the trade balance is negative. Problems of the Georgian economy are quite similar to the problems in Armenia. In particular, the foreign trade imbalance is also considered a pressing issue of the Armenian economy. However, if in Armenia this problem continues to get worse, in Georgia in recent years has prevailed positive trends.

**Figure 3.**

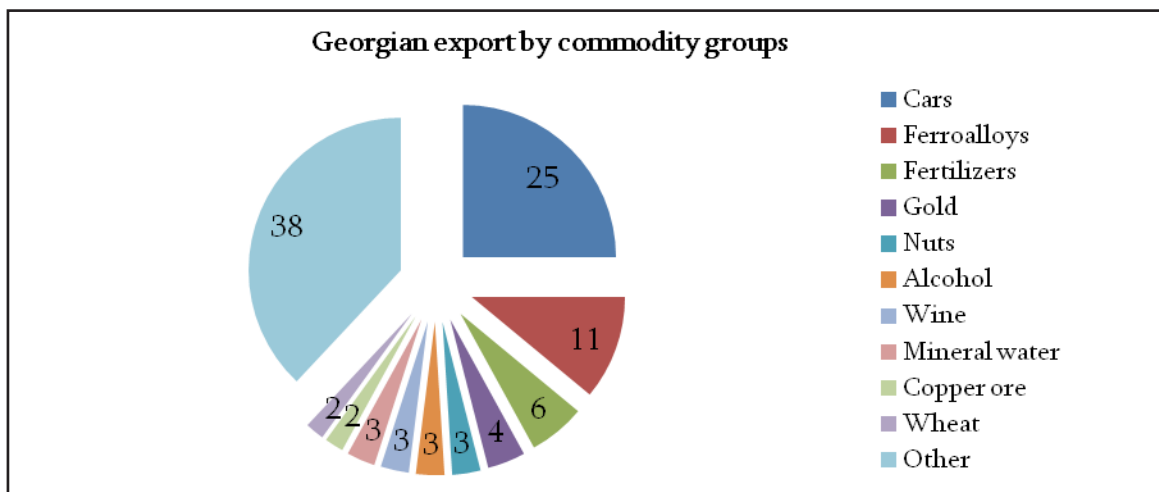
**Figure 4.**



Source: <http://geostat.ge/>

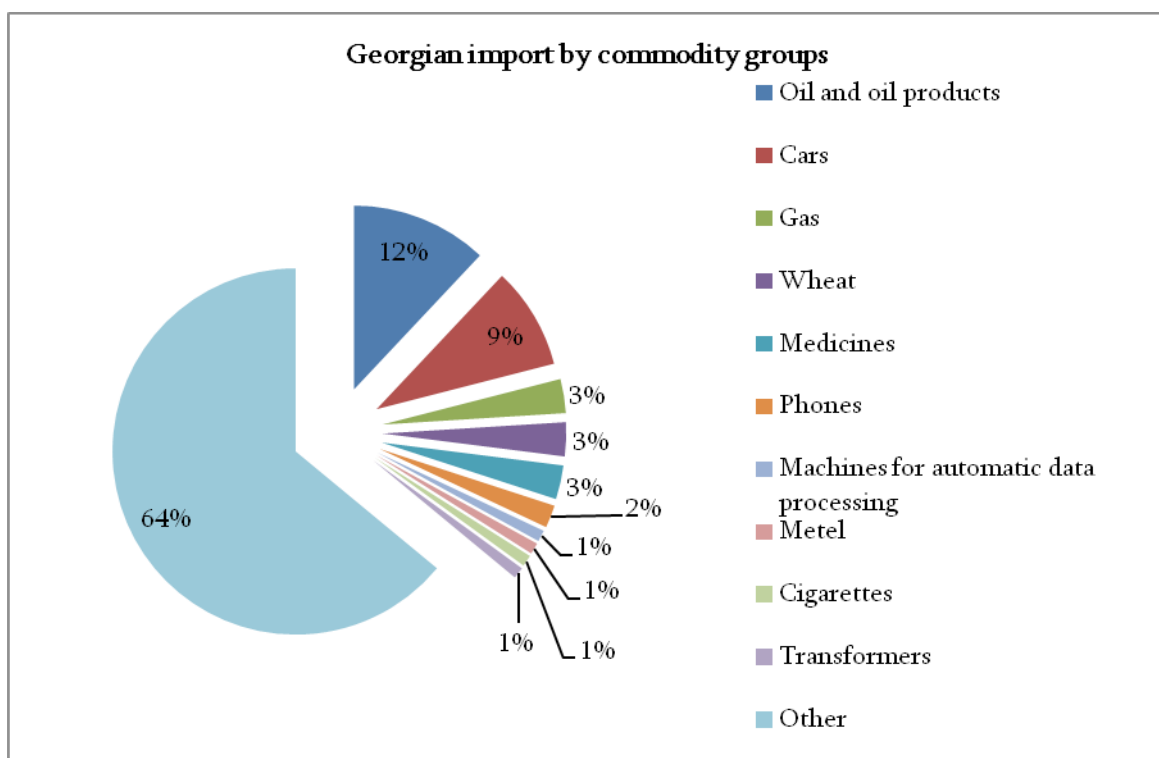
Export growth in recent years (except 2009) was quite high, though largely due to the re-export of Western goods, primarily cars, Armenia and Azerbaijan. Trade imbalance today in Armenia, and Georgia about the same and roughly 30% of GDP. However, if in the case of Georgia, it decreased by 9% since 2007, while in Armenia since 2007 it grew by 7%, thus, the movement of all these years was mixed. During the crisis, foreign trade of Georgia declined nearly as much as in Armenia's imports fell by 30.7%, and exports by 24.2% (Fig. 5,6).

**Figure 5.**



Source: <http://geostat.ge/>

**Figure 6.**



Source: <http://geostat.ge/>

The main trade partners of Georgia, in contrast to Armenia, are not the countries of the European Union and its closest neighbors - Turkey, Azerbaijan, Armenia, Ukraine and Bulgaria (Black sea) and Russia (Fig. 3,4). In 2009, the share of EU countries (except Bulgaria) was only 13.7 % of Georgian exports, the share of Bulgaria's 7.3 percent. In the CIS countries (mainly in Azerbaijan, Armenia and Ukraine), even after the secession of Georgia from the organization, headed by 36,7 % of Georgian exports, other major trading partners were Turkey and Canada (about 20 % and 10% of total exports, respectively). Regarding imports, the share of the EU is more pronounced : 29.9% of total imports, as well as the main European partners of Georgia, imported from Germany, Bulgaria, Romania, Italy, the Netherlands. The share of CIS countries during the crisis have fallen faster than in the EU, which is 28.7%. Main partners here - Ukraine, Azerbaijan, Russia, Turkmenistan, Armenia. 18% of the total Georgian imports come from Turkey, 5% in the United States and China. In 2010, the situation has not really changed. In all EU countries was exported to 18.7% of total exports. The share of CIS countries account for more than 40 % of that in the first place - Azerbaijan, Armenia, Ukraine, Kazakhstan. In the August war was signed the Charter on strategic partnership between Georgia and the United States. In accordance with the Charter, Georgia joined the GSP regime of free trade with the U.S., which caused more than 4 - fold increase in Georgian export to the United States in 2010. Thus, in 2010, exports rose sharply Georgian products in the United States, reaching 180 500 000, which is 11.4% of total exports, while exports to Turkey and Canada decreased slightly and amounted to 13.6% and 5.5 %, respectively. Main import partners in Georgia in 2010 were again the CIS countries, EU countries and Turkey, while imports from the USA decreased, thus, the trade balance of Georgia with the US was positive.

The simplest proof that in Georgia during the reign of the 'National movement' has not been a significant economic growth is GDP per capita. According to the world Bank, in 2003, Georgia was on this indicator in the first place among neighbors in the Caucasus (Georgia - 922 \$ Armenia - 917 USD. and Azerbaijan - 884 USD) and in 2011 at the latest (Azerbaijan - 6916 \$ Armenia - 3305., Georgia - 3203\$). Economic progress is always compared other countries and entities, and, accordingly, important macroeconomic indicators show that Azerbaijan and Armenia without reforms succeeded more rapidly to increase GDP per capita than Georgia.

Of particular interest are also the indicators of foreign trade in 2013 from Georgia products 2 618 million were exported, while imports accounted for 7 064 million dollars. Over the past few years, the negative trade balance of Georgia is becoming more significant. In 2009 he was 3 006 million and 2013 - 4 446 million that primarily indicates lack of competitiveness of export industries.

If we compare different groups of countries (CIS, EU, rest of the world), the most fruitful economic cooperation between Georgia was formed with the CIS countries. Trade turnover of Georgia with these States is 3 368 million (export - 1 465 million; imports 1 902 million).

It should be also noted that with the CIS countries Georgia has been moderately high export growth compared with the previous year (29 %). And with the countries of the European Union to Georgia performance of the trade balance can be described as catastrophic (export - 539 million; imports - 2056 million dollars). You should also pay attention to the fact that in the structure of exports of Georgia 24 % are passenger cars - despite the fact that Georgia does not have his own automobile sector. That is, it is nothing more than re-export to other countries.

A list of the largest trade partners of Georgia is as follows:

- Azerbaijan
- Armenia
- Ukraine
- Turkey
- Russia

As you can see, in the top five there is not a single representative of the European Union. Moreover, the share of the 5 countries of the CIS (Azerbaijan, Armenia, Ukraine, Russia, Kazakhstan) accounted for 52.3 % of total Georgian exports.

As we know, Armenia has signed an agreement on joining the Customs Union, which implies an increase in tariff rate. The growth of external tariff rates will lead to higher prices of imports from third countries. Moreover, as a result of calculations taking into account the share of third countries in total imports, it became known that the absolute change in customs duties in accession to customs Union to Armenia in average value will be about 1.4 percentage points, which will lead to higher prices for imported goods. Due to the price increase is expected to reduce imports from third countries. As noted earlier, according to calculations by the EBRD, in Belarus increased external tariff by 0.5 p.p led to the fall of imports from third countries by 1-2%, and in Kazakhstan, the growth of customs duties 1 percentage point leads to a reduction of imports from China is one of its major trading partners by 2-3% and the growth of imports from CU 1-2%. In both cases, the fall in import growth rate by 1% is about 3%. However, in Belarus already before the entry into the customs Union customs duty was as close to a uniform tariff rate, and along with it the overwhelming share of Belarusian imports accounted for Russia. Therefore, a relatively minor decline of imports from third countries was compensated by a slight growth of imports from the customs Union countries. Therefore, for Armenia, which at this stage is at a relatively low level of integration in the customs Union countries, the increase in tariff rates by 1% with simultaneous removal of internal barriers with a high probability will lead to lower imports from third countries at a relatively more significant magnitude, presumably by 3-4%, with subsequent compensatory growth of imports from CU by 2-3%. Moreover, the expected shift in demand for non-competitive goods, will cause some deterioration in welfare. Thus, the tariff rate will lead to a reduction of imports from third countries by approximately 5% or the absolute value of almost \$ 160 million.

According to estimates based on data of the Common Customs tariff and the current trade turnover of Armenia and Georgia, the value of import to Armenia from Georgia will increase by 7.7%, resulting in Armenia will be replaced by imports from member countries of the Customs Union. Due to the trade relations between Armenia and Georgia will begin to decline. And as we saw from the export structures of Armenia and Georgia, we currently have for each other are the main partners. All this will have a negative effect on the economy of both Armenia and Georgia.

Thus, due to the integration in different blocks of Armenia and Georgia

- Reduced exports of Georgia in Armenia
- Reduced migration flow
- Reduced investment

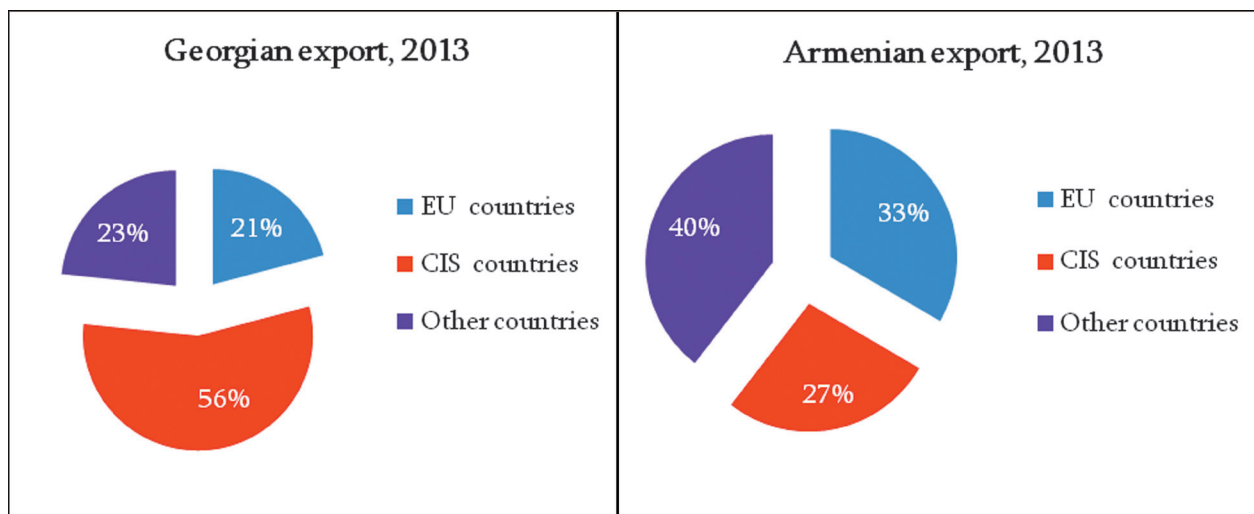
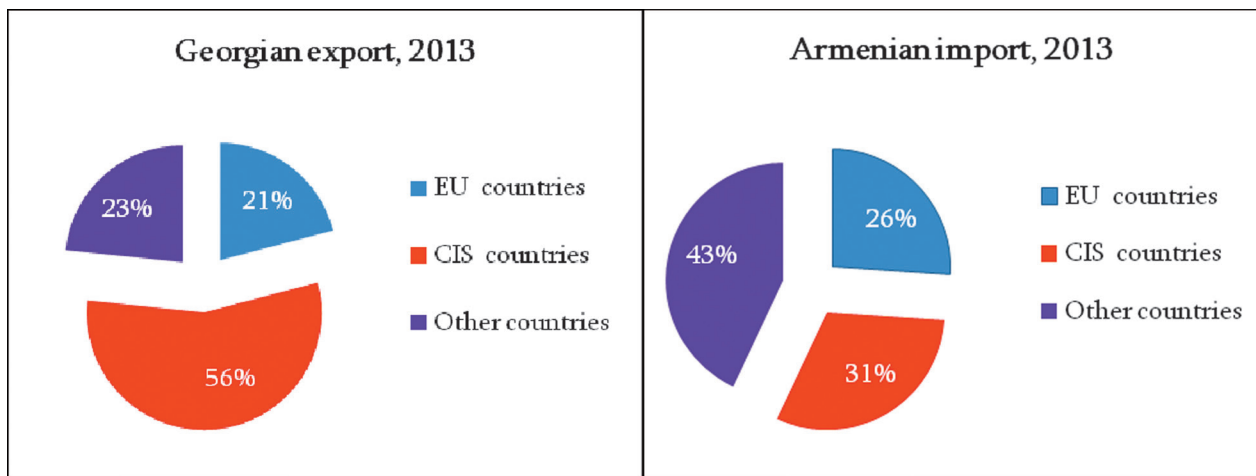
To generate, in order not to lose the main trading partners we should create a common market with Georgia with the regime of free trade, relations and policy of zero tariff. Armenia and Georgia will benefit in the case of creating a common market.

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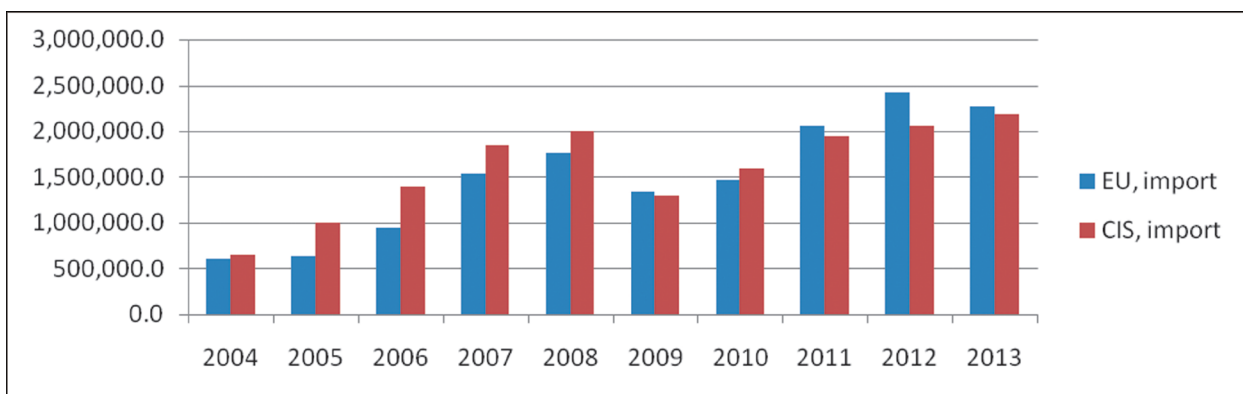
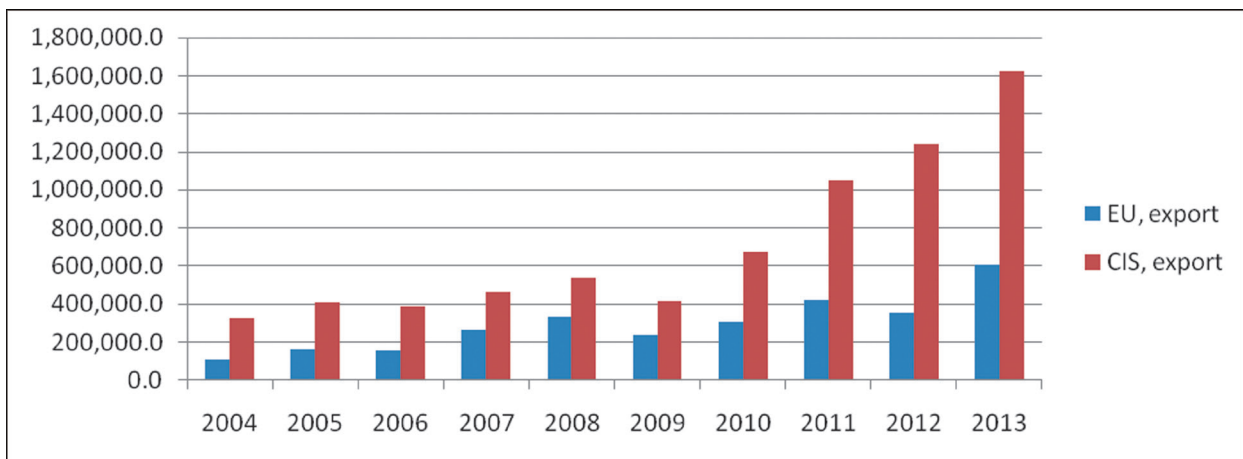
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5. <http://www.econ.umn.edu/~jchipman/econ8402f06/REPRINT.pdf>
6. [www.jstor.org](http://www.jstor.org)
7. <http://data.worldbank.org/>
8. <http://geostat.ge/>
9. <http://armstat.am>

## Appendix

Appendix 1.



## Appendix 2. Georgian export and import, USD



## Appendix 3.

### Georgian export and import by countries

EXPORT			IMPORT		
Country	USD	Share, %	Country	USD	Share, %
1.Azerbaijan	709,897.2	24.4	1.Turkey	1,346,035.1	17.1
2.Armenia	315,413.8	10.8	2.Azerbaijan	651,602.6	8.3
3.Ukraine	192,759.9	6.6	3.Ukraine	602,360.8	7.6
4.Russia	190,703.0	6.6	4.Russia	587,751.5	7.5
5.Turkey	182,863.4	6.3	5.China	563,665.3	7.1

6.Bulgaria	150,753.8	5.2	6.Germany	449,245.3	5.7
7.United States	136,424.0	4.7	7.Romania	322,922.2	4.1
8.Kazakhstan	103,603.0	3.6	8.Japan	319,939.8	4.1
9.Italy	81,489.0	2.8	9.United States	253,781.9	3.2
10.Canada	81,358.9	2.8	10.Italy	220,614.4	2.8
11.Germany	72,996.2	2.5	11.Bulgaria	200,019.9	2.5
12.United Arab Emirates	69,671.0	2.4	12.United Arab Emirates	184,514.7	2.3
13.Spain	66,865.8	2.3	13.Armenia	181,917.8	2.3

#### Appendix 4.

##### Value of Armenian import from Georgian (Top 10 products),

	Existing tariffs	New CU tariffs
1. Mineral or chemical fertilizers, nitrogenous	12504	13754,4
2. Particle board and similar board of wood or other ligneous materials	6786	8143,2
3. Bars&rods of iron/non-al/s, new than forged, hr, hd,/hot-extruded	6935	7281,75
4. Articles of plaster	5098	5352,9
5. Cyanides, cyanide oxides and complex cyanides	3082	3236,1
6. Wood sawn/chipped lengthwise, sliced/peeled	2632	3026,8
7. Electrical energy	2921	2921
8. Citrus fruit, fresh or dried	3051	2898,45
9. Non-alcoholic beverages (excl. water, fruit or vegetable juices and mi	2873	2815,54
10. Ammonia, anhydrous or in aqueous solution	1381	1450,05

# **Problems and prospects of economic cooperation between Armenia and Georgia in the context of integration processes in the Eurasian space**

*Annotation*

**Lida Mnatsakanyan**

*Russian-Armenian ( Slavonic) University*

*Master of the second course of the faculty of Financial Economics*

*Instructor : **Mariam Voskanyan, PhD***

In conditions of blockade by Turkey and Azerbaijan, as well as the absence of the boundary with the Eurasian economic Union, Georgia gains for Armenia special significance, as it is the only access to the market of the Eurasian economic Union. The signing of the Georgia Association agreement with the EU raises a number of questions on the prospects of cooperation between Tbilisi and Yerevan, since Armenia gained independence towards the Eurasian integration. In the light of circumstances can cause problems for their smooth regional cooperation. The borders of Armenia and Georgia may soon become the line of contact between the two competitive economic blocs - the European Union and the EAEC, which increases the probability of collision of interests between countries.

On the other hand, despite the integration into different blocks, Georgia and Armenia promote mutual investments, giving each other access to the major markets of the EU and EEC.

So, a natural question arises: what will dominate the feasibility of regional cooperation or complex geopolitical context? The clash of interests or mapping? In the first part of this article prospects of Armenia and Georgia in connection with the integration will be discussed, in the second part we consider the relations between Georgia and Armenia at this stage from an economic point of view, and the third part will be devoted to the consideration of possible development scenarios for integration in different blocks. In conclusion, the results will be reviewed, as well as provide some practical recommendations.

The methodology is based on methods of analysis and synthesis, of interpretation, econometric calculations and relevant comparisons. The results of the research can be particularly important for researchers and policymakers. The obtained results can be applied in policy making, and may become a basis for future research on this topic.

## South Caucasus and European integration: political aspects

**Sargis Shirkhanyan**

*Russian-Armenian (Slavonic) University*

*Ph.D Student of the first year of the faculty of Political Science*

*Instructor: Sargsyan Hovhannes, PhD in philosophy, associate professor*

The issue of integration is in the centre of most of scientific researches today. Moreover, integration processes represent a fashionable trend in modern states' policy. At the same time, it's necessary to mark that it is not a new way or model of social-political and state communication, as the integration has been typical for societies and international relations of even ancient times. That is, there are different "types" of "integration" due to the transformation of the core concept. From that point of view, even "gentle" political expansion ("absorption") represents a certain type of integration, whereas the pure idea of integration is in bilateral waves of cooperation, common success via collaboration, but not in a one-way ideological impulsations. The last thesis is the basic theoretical point for this article which is aimed to reveal some probable political omissions or risks our region may have when integrating to Europe.

After the dissolution of USSR, former soviet states faced the problem of new methodological basis both for state government principles and for other standards and even values in the society. But the new models of development coming from West were difficult to be adopted by post-soviet area. As a result, we were still under pressure of "old" methodology and the new one had not been elaborated yet. That what academician Mirumyan K.A. calls "methodological vacuum"<sup>32</sup>. In fact, in most of cases we are instructed to act according to "modern world" approaches, but we still think based on principles of soviet past. So, the reason of our problems in economic, political and other spheres is not the absence of integration with EU, but the fact we are still not able to change our way of thinking and be able to adapt European institutions and praxis in our specific South Caucasus reality.

The other problem here is the discrepancy between the prior goals and interests of the sides of integration process – South Caucasus and EU. Bulgaria is considered as the most poor country in EU, but it's GDP per capita based on purchasing power parity (PPP) is 15,941 (international dollar equivalent) which is twofold more when comparing with Armenian and Georgian statistics<sup>33</sup> (Azerbaijan is a special case due to its natural resources potential). This fact, as well as, geopolitical value of South Caucasus especially in context of modern world political situation serve as an argument that Europe has more political than economic interests towards Caucasus region whereas the last has the aim to have first of all economic development via integration with EU.

Besides, European Union, as well as other economic and political unions, represents a system and its functionality is subordinated by the rules of systematical development. The point is that both partial development and failure equally refer to all the parts of system. "Risk of system" is one of the most important issues when integrating to a union. Because of a failure of a particular member-state, the harm can be touchable for all the countries. Greek crisis represents an example of mentioned point. So, if South Caucasus aimed to integrate to EU, we should be ready for such kind of principles of development and forget about concept of "independent national economy". In addition, economic integration requires the subjects

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32 Мирумян К.А. История политических учений. Часть 1. Эпоха античности. Ер.: РАУ. 2004. С.8.

33 World Bank official statistics // <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

of integration to have first of all a common border to make the commodity circulation easier and more efficiently. At the same time, South Caucasus does not have a direct border connection with EU member states. Moreover, there is no any country inside EU separated or somehow isolated from others in union<sup>34</sup>.

It is also necessary to mark that there are some internal problems inside South Caucasus to be taken into account. First of all, neither Armenia, nor Azerbaijan can be integrated to EU, while there is Nagorno-Karabakh conflict, which solution has been in search for already 20 years and there is no serious breakthrough yet. Whereas, according to the main documents regarding the criteria to join EU, potential member should not have a ethnic discrimination issues<sup>35</sup> (and the conflict was born because of the last point). Moreover, according to “Maastricht criteria” – only European countries have a permission to join EU<sup>36</sup>. Despite the issue that the document does not mention the criteria of “European country”, the case of Morocco<sup>37</sup>, the problematic potential membership of even Turkey serve as an argument to think that there is no real standard and in fact it depends on the will of European government, based on their interests and practical political aims.

The other aspect of integration is the risk of harming the relations with other countries. Because of an economic and political polarization in today’s world, when integrating or tightly cooperating with some countries, you are in a risk to harming the connections with others. This what I called “geopolitical dead-lock” which is typical for small countries. And the only solution here is to have balanced, in some cases complementary policy trying not to have a concrete geopolitical choice, be nowhere, but simultaneously together with all sides.

There are list of success stories about countries, which were very small, very weak and without real natural resources, but they managed to modernize their state system, their economy, education etc. and make a phenomenal breakthrough in 20-30 years without any need of integration. Singapore is a good example for that. When this country gained its independence nearly half a century ago, it was a poor, colonial outpost and lacked natural resources, even potable water. Today, the Southeast Asian city-state of 5.4 million people is wealthier per capita than the United States and Germany. The country’s GDP per capita has risen more than tenfold from \$4,756 in 1980 to an estimated \$52,179 last year<sup>38</sup>. Singapore leads in different charts of best state systems in the world, like “doing business”, “best education” etc.

Moreover, Singapore is still Asian country, with its culture and tradition but taking into account and adequately adopted and implemented Western experience. This is another aspect of integration risks – cultural context. Any step for modernization needs specific connection with national elements, otherwise the new mechanisms and approaches will not work at all, regardless of their correctness and “efficiency rate”. In other words, if we are talking about European integration and this necessarily means western modernization, the best solution of the problem can be the principle “modernization bypassing westernization or “europization”“. Actually, this is a formula suggested by Saudi Arabian prince Bandar bin Sultan in 1994, who said: “ foreign imports are nice as shiny or high-tech things. But intangible social and political institutions imported from elsewhere can be deadly - ask the Shah of Iran . . . Islam is for us not just a religion but a way of life. We Saudis want to modernize but not

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34 See picture 1.

35 PRESIDENCY CONCLUSIONS Copenhagen European Council - 21-22 June 1993 - “Copenhagen criteria” // [http://www.europarl.europa.eu/enlargement/ec/pdf/cop\\_en.pdf](http://www.europarl.europa.eu/enlargement/ec/pdf/cop_en.pdf)

36 TREATY ON EUROPEAN UNION, 7 February 1992 – “Maastricht criteria”// <http://eur-lex.europa.eu/en/treaties/dat/11992M/htm/11992M.html>

37 <http://cfp-reformwatch.eu/2011/12/european-parliament-rejects-eu-morocco-deal/>

38 Singapore Department of statistics // [www.singstat.gov.sg/...and.../t47-53.xls](http://www.singstat.gov.sg/...and.../t47-53.xls)

necessarily westernize”<sup>39</sup>.

Thus, economic development does not necessarily have a precondition about integration or a quantitative transfer of endogenous ideas or institutions into a certain specific area. If the aim of any integration is success and prosperity, so it is possible to achieve that by other ways, integration is not the only one. If South Caucasus wants to be developed and advanced like EU, there is no straight need to join them with borders, creating common economy, especially when, as we tried to show with this article, there are lot of risks and problems on that way. South Caucasus is free to implement successful European praxis without the urgency of problematic and very long way of practical integration. But this, as it was already mentioned, requires a corresponding level of self-national consciousness, adequate specialist staff and readiness to make little, but essential changes.

At the same time, taking into account the differences between the external policy vectors of three South Caucasus countries (Armenia – Eurasian Union, Georgia – NATO and EU, Azerbaijan – something middle), the issue of South Caucasus integration into EU should be taken only separately for each mentioned country as there is no common picture, uniting their policies. But if there is even a need of integration, that should be implemented first of all inside South Caucasus, creating a ground for common interests, common way of thinking and acting for the sake of our region’s common future.

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39 Huntington S. (1996), *The West: Unique, not universal*. Foreign Affairs; New York; Nov/Dec.

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7. Мирумян К.А. История политических учений. Часть 1. Эпоха античности. Ер.: РАУ. 2004. С.8.
8. Singapore Department of statistics: <http://www.singstat.gov.sg/>, The official portal of Dubai government: <http://www.dubai.ae/en>, EH.net economic history web encyclopedia: <http://eh.net/encyclopedia/economic-history-of-hong-kong/>, S. Hantington «The clash of civilizations».

Annex

Map of EU member states (2014)

Picture 1



## South Caucasus and European integration: political aspects

*Annotation*

**Sargis Shirkhanyan**

*Russian-Armenian (Slavonic) University*

*Ph.D Student of the first year of the faculty of Political Science*

**Instructor: Sargsyan Hovhannes, PhD in philosophy, Associate Professor**

There are at least three major points in the article representing the core statements to be proved. All of them refer to the issue of economic integration (as well as political and cultural) of our region to European «family». Scenarios of South Caucasus' integration are the main trends of our region's external policy, so the issue of proving their actuality is out of any kind of objections or artificial scientific obstacles. Thus, any scientific approach pretending to reveal any problematical points in the issue of our integration will be not only attractive for the audience but also may serve as a probable valuable point which can open a ground for elaborating more efficient ways of solving the problem of our region's integration.

The first point pretending to be proved is the concept of «modernization bypassing westernization». This is about to use other countries successful experience simultaneously remaining as yourself, not losing your «own» but improving it.

The second thesis coming from the first one is the principle not to harm the country's political relations with definite states when integrating with others. The point is that if the integration with Europe is valuable for us, this must not be implemented in prejudice of our strategic interests.

Finally, the third suggestion in this article is the idea that the integration is not the only way to join the values or experience of some developed countries. If we want to be developed as Europe, there is no straight need to join them with borders, creating common economy etc. In my opinion, South Caucasus is free to implement successful European praxis without the urgency of problematic and very long way of practical integration.

We will use in the article commonly descriptive and comparative methods naturally mixed with general analytical «organon» as deduction, induction, synthesis and analysis.

## European integration and risks of modernization in the South Caucasus

**Norayr Dunamalyan**

*Russian-Armenian (Slavonic) University*

*PhD student of the first course of the faculty of Political institutions and processes*

*Instructor: H.Sargsyan Associate Prof.*

The history of the South Caucasus caused to the formation of the specific political, cultural and economic features of the modern institutional system of three states: Armenia, Azerbaijan and Georgia. This issue can be considered as the complex of problems, connected the obstacles and advantages of the integrative processes in South Caucasus. Historical background of this region can explain the whole institutional system of modern Caucasian states as mix of soviet institutional heritage and implementation of the new experience via integrative processes. On the one hand we can see, that culture and traditions have a large influence on political and economic relations inside the countries, unsolved ethnic and political conflicts also brought specific features and difficulties in integrative processes in South Caucasian space. On the other hand the EU created efficient economic and political programmes included the Caucasian states in different ways of activity and cooperation in various European organizations. That's why it's important to set the range of main points, which can develop the processes of European integration and create the cooperative space in region. We must also bear in mind the main vectors of foreign policy in South Caucasian states as one of the important elements of integrative prospects.

Collaboration between Europe and South Caucasus is constructed on exact principles and preconditions of economic, political, legal and other social systems, but the different levels of development in regional countries leave diverse influence on integration. The main results of globalization and modernization are reduced not only to spreading the universal values and common standards, but the same risks too. There are different levels of risks related to the political, cultural and economic features of South Caucasus region and it's important to observe whole factors which can prevent or promote the efficient integration in South Caucasus.

Political factor of South Caucasus region connected to its important geopolitical position which influences on trade, energetic and civilized connection between West and East. Control and integrative domination by any world centre means that the most important infrastructure in this part of the planet will give opportunity to control the situation in the Middle East, the Central Asia and the North Caucasus. Energetic transit is also interesting to the wide spectre of world players who wants to provide and protect their interests in this region. Position of Caucasian states can be considered from the point of internal conflictual and cooperative potential of the South Caucasus. Difficult situation after collapse of the USSR predicted the modern problematic picture of region which solution can be found only via cooperative work and integration of common markets. One of the most efficient ways of conflict solution is democratization of opposing sides and transition from authoritarian state to open society.

It's important to mention that European specialists also recognize the extreme difference between South Caucasian states: ...the three Southern Caucasus countries are extremely different in terms of historical and cultural legacies, as reflected in their self-perceptions<sup>40</sup>. The Soviet government tried to suppress this ethnic, cultural, historical difference, formatting the image of single region, but even in this case

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40 Delcour L. and Duhot H. (2011) Bringing South Caucasus. Closer to Europe: Achievements and Challenges in. ENP Implementation. Natolin Research Papers. No. 2011/3

Caucasian republics sometimes demonstrated their uniqueness. That's why we can conclude that political difficulties of integration are found on different views of their historical, cultural, political and geopolitical views. This fact influences on integrative prospects and increasing of risky space of any integrative programme in this region. The risky space includes not only political, cultural and the other differences, but the presence of the conflict zones makes the integrative process more idealistic. Another point of view bonds to the negative effect of European integration as transformation of local institutional system. The implementation of European experience in unique political, economic and cultural space of South Caucasus can bring the region to the periodical crises. This problem relates to the difference between social and institutional standards in Europe and South Caucasus, because even in EU institutional basis of society is different from one state to the other. "Some of those countries in North-Western Europe that by any reasonable measure are among the most economically open and the most politically democratic that have the closest web of interactions between their economic, political, and family institutions. It is there, and not in authoritarian settings, that civil society and the state form a seamless web of mutually supporting institutional structures"<sup>41</sup>. This idea shows that European institutional system (this conception includes norms of behaviour and social values too) is different in its inner potential, trying to keep common standards of life and foreign policy vector. The same problem exists in relationship between EU and South Caucasus too, because local values and specifications are neutralized by exact preconditions in different fields of state policy, which prevents the individual approach. On the other hand European integration has great cultural foundation which via institutions collides with traditional basis of different regions. This problem also connects with political and economic background of Caucasian states, setting large system of different factors in international relations.

The regional approach can be explained as the way to avoid differentiation of regional countries. This approach is dictated by tolerance of EU organizations, but such attitude to the regional problems isn't characterized from Soviet conception of the single region. Implementation of the same experience in different parts of world shows the problematic side of universal standards and common approach to the different states. At the same time recommendations of exact trade standards face to technical barriers which aim to prevent the threat of the European influence on inner market, because authoritarian regimes in different countries connects to the economic monopolies too. Another reason (of technical trade barriers) might be the development of local production in connection with future import of cheap and compatible products following accession to the WTO<sup>42</sup>.

World trade organization still has more influential role on standardization and trade policy within the framework of The EU-South Caucasus relationship, although only Azerbaijan didn't enter the WTO. This international global institution regulates trade relations between nations and the WTO activity is based on agreements between it and the states. According to the statements of the EU membership in the WTO gives a great opportunity to involve different investors from any country of the world in your local market to develop trade relations with the other members of that organization, but the long term membership of Armenia and Georgia, as well Kirgizstan (as first member of the CIS in the WTO) doesn't give the optimistic picture of the economic development in this states. Economic standardization needs to be in connection with political, social and cultural fields, that's why slow integration is also effective tool for the South Caucasus.

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41 Wittrock B. (2000) Modernity: One, None, or Many? European Origins and Modernity as a Global Condition. *Daedalus*, Winter 129 /1

42 EU Integration Issues - Visegrad Countries and the South Caucasus(2013). Caucasian Institute for Economic and Social Research (CIESR)

After Prague Eastern Partnership Summit in Prague on May 7 2009 the states of the South Caucasus gained the opportunity for closer integration with EU. The participants of the Prague Summit (Armenia, Georgia, Ukraine, Belarus, Moldova and Azerbaijan) agreed that bilateral cooperation under the aegis of Eastern Partnership should provide foundation for Association Agreements between the EU and the partner countries, with respect to the specific aims and goals of the partnership envisaged by each partner country. Association Agreements are aimed at regulatory approximation leading to convergence with EU laws and standards. But the present political situation in the region shows that Association Agreements had political aims which neglected the importance of universal standards and law. The multilateral cooperation had to be constructed on four platforms: 1) democracy and stability; 2) economic integration and convergence with EU policies; 3) energy security and 4) people to people contacts<sup>43</sup>. But these preconditions were distorted by continuous economic crisis, destabilization in conflict areas, obstacles of trade integration and increasing of the significance of the authoritarian regimes. One of the important things which can transform the European policy in this region is creating of the Eurasian Economic Union which aims to run a new integrative process in space of the South Caucasus.

According to mentioned below the issue of European integration in the South Caucasus remains to be opened, because the international political situation brings a lot of states to the idea of the regional integration to solve global problems. The space of integration in these conditions becomes more risky and unpredictable, because the old mechanisms of integration and modernization are in deep crisis, which touches whole spectre of social life. The new political situation in the region will need more systematic and individual approach to South Caucasian states by the EU, because the presence of another integrative stream can be considered as the obstacle of European integration or the opportunity for partnership. In this case Armenia, Georgia and Azerbaijan will gain the chance to influence on convergence of different economic and political structures in these unions, becoming the actors of integrative processes and providers of international political interests.

### **List of applied literature:**

1. Delcour L. and Duhot H. (2011), *Bringing South Caucasus. Closer to Europe: Achievements and Challenges* in. *ENP Implementation*. Natolin Research Papers. No. 2011/3
2. Wittrock B. (2000), *Modernity: One, None, or Many? European Origins and Modernity as a Global Condition*. Daedalus, Winter 129 /1
3. *EU Integration Issues - Visegrad Countries and the South Caucasus* (2013). Caucasian Institute for Economic and Social Research (CIESR)
4. Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May 2009 [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/107589.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf)

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<sup>43</sup> Joint Declaration of the Prague Eastern Partnership Summit  
Prague, 7 May 2009 [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/107589.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf)

## European integration and risks of modernization in the South Caucasus

*Annotation*

**Norayr Dunamalyan**

*Russian-Armenian (Slavonic) University*

*PhD student of the first course of the faculty of Political institutions and processes*

*Instructor: **H.Sargsyan Associate Prof.***

This article considers the connection between different forms of modernization and increasing of the risk-generating zone of the global space. Designation of the main features of the nonuniformity of modernizing processes in different regions of the world permits us to estimate the degree of the risk in implementation of the basic model of the modernistic project in the societies of South Caucasus.

The problem of European integration also depends on great number of factors, which create several critical points of correlation between traditional basis of South Caucasus and European standards. This article aims to show the main problems of political, economic, institutional and cultural integration with European values.

## **Inter-harmonious relations of the Church and the State**

**Archimandrite David (Tariel) Chincharauli**

*Caucasus University*

*Student of the Ph.D of the faculty of law*

*Instructor: Irakli Kobakhidze, Associate Professor of Law*

Relations between the state and church have been remaining and will always remain a subject of interest of people, since these relations have influenced and will further influence development of the world history. No major historical facts or events have happened so far that had not passed on the edge of the relationship between the state and church and had not reflected in interrelation of politics and the religious institutions – as are the state and the church.

Reciprocal influence of the state and church was significant also for the relationship between the Georgian state and church. This happened because the religion, lead by the Georgian Orthodox Church, played a huge role in formation and development of the Georgian nation-building. This role is not only of historical importance, but it has a constant function with respect to all periods. Today, at the present stage, it is unimaginable to build the Georgian state without consideration of its relationship with the Georgian Orthodox Church, without studying of its historical and modern significance.

Significance of relationship of the Georgian state and church was well acknowledged by the Georgian theologians, philosophers and scientists, who greatly contributed to the study and thereby, to the development of the relationship between the state and church. Study of relationship between the state and church was terminated, when the importance of these relations has decreased. In particular, it was during Soviet period, when the religion and the church were disregarded. It is natural that the objective survey of these issues became taboo topic, and therefore, this period was signified with serious failure.

Following dissolution of the Soviet Union, the role and significance of the Georgian Orthodox Church in improvement of a new Georgian state building process was demonstrated once again, both, at domestic and international level, and in the context of the globalization processes. Georgia is geographically located on the border of various religious-ideological civilizations, where the world security problems in the form of conflicts and terrorism is of particular relevance. The basis of these conflicts is often the religious factor, and while Georgia is a country with multiple confessions, therefore the issue of renewal of the study of relationship between the state and church is still in the agenda of the new Georgian state-building. Based on scientific survey and analysis of these relations, it is important to identify the model of the relationship between the Georgian state and church, that would have not only scientific-theoretical, but also practical importance for building of the new Georgian state and formation of harmonious relationship with the church.

It is well known that church and state are based on faith and mind, that are theology and philosophy, and therefore, it would be relevant to start studying of ideological issues of the state and church relationship by analysis of theology and philosophy and discuss the processes with regard to the development history of the mankind in two spheres as are faith and mind.

Depending on the particular stage of development of human history as to which was the leading power - religion or philosophy, in the discussion of ideological issues three periods can be divided provisionally: 1) the period, when the leading power was faith: it could be called a theological period, which covers I-XI centuries; 2) the period when reconciliation and agreement between faith and mind, religion and philos-

ophy takes place, which is a transitional stage from theology to philosophy and could be described as a scholasticism period, covering IX-XV centuries; 3) the third period is a time of ruling of mind – philosophy and weakening-subordination of faith – theology that could be called a philosophic period, which covers XV-XX centuries.

### **1) Theology period**

In this part we shall discuss theological-dogmatic studies and definitions of the state and church relationship issues. The Christian theology is based on the Holy scripture – the Gospel, teaching of Apostles, ordinances of the World Council of Churches and teachings of Holy Fathers.

The major reason of studying the issue of relationship between the state and church is a conversation of the founder of Christian study, Jesus Christ with Pharisees and Herodians, when Pharisees applied to the Lord Jesus Christ with a question: “Master, we know that thou art true, and teachest the way of God in truth, neither carest thou for any man: for thou regardest not the person of men. Tell us therefore, What thinkest thou? Is it lawful to give tribute unto Caesar, or not?”<sup>44</sup>, He answered: “why tempt ye me, ye hypocrites? Shew me the tribute money. And they brought unto him a penny. And he saith unto them, Whose is this image and superscription? They say unto him, Caesar’s. Then saith he unto them, Render therefore unto Caesar the things which are Caesar’s; and unto God the things that are God’s.”<sup>45</sup>

Based on words of the Jesus Christ in Gospel, there have been created dogma about the issue of relationship of the state and church, which envisages obedience of the earthy world to the heavenly kingdom while considering priority of the heavenly to the earthy and accordingly, rendering the things as unto “God”, so as unto “Caesar”.

Teaching of Apostles Peter and Paul and Ordinances of the Holy Apostles through Clement regarding relationship of state and church are based on the above-discussed dogma of the Gospel, where the Apostle Peter says: “Submit yourselves to every ordinance of man for the Lord’s sake: whether it be to the king, as supprime.”<sup>46</sup>

In such case, according to definition of Theophan the Recluse, the Apostles gives command being Christian how should be the attitude with public institutions, where the Christians can make something good for pagans. The Apostle teaches Christians to be obedient “upon every human born” to the public life style and rules. He says – be obedient to the earthy government, and be obedient to the God, as He teaches us. If they are contrary to God’s command, then we shall not obey to them. Christ taught us so, as well as his disciple. First of all, this is God’s will, secondly, our obedience to the government proves our good teaching.<sup>47</sup>

According to the Russian theologian Lopukhin, the Apostle here speaks about Christian person, as of the citizen of the state. If any citizen is requested obedience to the government, then the Christian is requested even more. “There does not exist any state without God” – this is the first encouragement and inducement for obedience. In general, the government is set up with its own idea and arranged by God – this is the second inducement for obedience. Forms of government in some cases are considered to be arranged by God. The Apostles raises only the principle of public life. Christian kings based on those words of the

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44 The New Testament, The Gospel of Matthew 22:16,17 (King James Version);

45 The New Testament, The Gospel of Matthew 22:18,21 (King James Version);

46 The New Testament, 1 Peter 2:13 (King James Version);

47 St. Theophan the Recluse, Interpretation of the Epistles of the Holy Apostle Paul, Moscow, 2002 (in Russian translation);

Apostle defined themselves as rules “by glory of God”.<sup>48</sup>

Research of “relationship of state and church” figured out separately opinions of Holy Fathers in theology, and one of the greatest theologian of the Christian religion Blissful Augustine (354-430) first studied and discussed it. His work about “City of God”<sup>49</sup> had a huge influence on further development of theology and Christian thinking. This is a work which is up to these days still studies and researched by scientists and is the greatest authority for Christian world despite correspondence of the Catholic, Orthodox or Protestant courses.

Augustine’s opinion about the state differed from the theory of medieval centuries. But publicists were mistaken, who found in Augustine’s “City of God” justification of their theory in modern teaching of state obedience to the church, which was ascribed to Augustine.

We can not accept this formula that Augustine put the state in the service of the church. In those places, where Augustine mentioned about the state service, he considered the state service not for the church, or the Bishop of Rome, but for the God. Augustine required from the state protection of the church. It was exactly the same principle, later based by the Orthodox state known as “Byzantium model”, which tried the church patronage, that was continued by Russia and other orthodox countries.

At the end of discussion on the theological period we have to mention that Christian theology based on Gospel, teaching of Apostles, ordinances of the World Council of Churches and teachings of Holy Fathers has determined relationship of the church with the state from the very beginning. This relationship was based on harmonious relations between church and state, principle of mutual respect and obedience, which resulted in the symphony of relationship of the state and church and remained in force until the church maintained unity.

## **2) Scholasticism period**

Here we shall not characterize scholasticism fully, but we shall discuss only that part of it, which refers relationship of the state and church. From this point, a very important work is written by the most famous and influential philosopher of the Western Europe Catholic World – a scholastic Thomas Aquinas (1225-1308).

Importance of Thomas Aquinas was very big not only for his period, but for the history of entire medieval centuries. His work “Summation of Theology” is very important.

An essential element of political and legal doctrine of Thomas Aquinas is a theory of state, which includes «De regimine principum» (regarding government).

When considering the theory of state, Thomas Aquinas was not limited to theological arguments only, but provided rational discussion. Each society fulfills certain function, puts particular goal and realization of it is impossible without hegemony. Therefore, the need has arisen that somebody shall lead this society and bring it to its goal with a shorter way. The state is supposed to be such leader. Existence of the state in that form means that it shall bring people to their goal, that also corresponds to aspirations of the church. Aquinas differentiates among various forms of governance as are: oligarchy, monarchy, tyranny and democracy. The best for of governance is the state, which unites elements of monarchy, aristocracy and democracy.<sup>50</sup>

Therefore, transitional stage between theology and philosophy, i.e. period of their reconciliation, which

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48 A. Lopukhin, The Apostle Paul in the centers of the classical world // Christian reading. – 1896;

49 St. Augustine, City of God;

50 Thomas Aquinas, De Regimine Principum;

is known under the name of scholasticism in the history of thinking, from the point of study of relationship between the state and church, was distinguished by fact that processes of reconciliation of faith and mind, i.e. theology and philosophy, that started in that epoch, in particular in the IX-th century by John Scot and ended with scholasticism of Tomas Aquinas in the XIV century, incited theology and philosophy against each other, because mind, i.e. philosophy became subordinate to the faith – theology and thus founded a theory of priority of ecclesiastical authority upon the civil one. Philosophy of the later period of medieval centuries reacted sharply on that. That is exactly the period when the church, alike the Roman Empire was divided into eastern and western states from the point of view of relationship of church and state.

### **3) Philosophy period**

This period takes start in Renaissance Epoch and continues up to nowadays. It should be noted that in this period the mankind gradually released itself from faith – religion and entrusted its own fate to the mind – philosophy, while philosophy in dualism period was developed in the process of fight of materialism and idealism.

French philosopher Jean Bodin (1530-1596) in his work “Six Books of the Commonwealth” raises an issue about divine and natural law, as well as the state order. “Each earthly monarch shall bend in front of glory of God and become its slave. Absolute power of the state and sovereign government does not apply to the divine law under any circumstance”.<sup>51</sup>

Still for Jean Bodin the starting point was divine law (jus divinum). He, as a representatives of the philosophy of Law, subordinates the state order to the laws of God (divine law) and afterwards states as follows: “state is arranged by God in order to give to the state all what is considered public and all the things that are considered its property”.<sup>52</sup>

Materialist of new time was to be developed first in those countries, where capitalism was the leading one. Such a country was Great Britain. The greatest scientific revolutions, discoveries and inventions took place in the XVII-XVIII centuries. The second major feature of that period was its materialistic and atheistic nature.

In the XVII century materialist was not yet so bold. It substantiated theories of atheism, but in practice often concluded a truce with the church representatives. Materialism started attacks only in the XVIII century and radically destroyed everything, first of all, religion and church. Among materialists of that period, Hobbes and Spinoza should be noted.

English philosopher Thomas Hobbes (1588-1679) in his work “Leviathan, or the Matter, Form, and Power of a Commonwealth, Ecclesiastical and Civil” discusses relation of the civil and ecclesiastical authority. Being a materialist, though he did not directly fight against ecclesiastical authority, but gave priority to the state based on sovereignty and people’s consent.<sup>53</sup>

Benedict Spinoza (1632-1677), being materialist and atheist, took the fight to religion and absolutism. The constitutional monarchy was acceptable to him, even more democratic order and promoted the concept of justice.

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51 Jean Bodin, Six Books of the Commonwealth, 1955;

52 Jean Bodin, Six Books of the Commonwealth, 1955;

53 Thomas Hobbes, Leviathan, or the Matter, Form and Power of a Commonwealth, Ecclesiastical and Civil, London, 1886;

### **Development of materialism of the XVII century was ended with Spinoza.**

The German idealist-philosopher Wilhelm Leibniz (1646-1716) in his "Monadologia" offers an interesting opinion about relation of soul and body, the city of God – church and state: "Combination of all souls shall create the city of God, the most complete (perfect) one as it could be. The state is the most comprehensive under the Monarch governance."<sup>54</sup> Thus Leibniz attempted to revivify the idea of symphony of relations of the state and church in European philosophy, but in vain. Neither the state, nor the church was ready for that, because materialism in that period was quite strong with its fighting ideas against religion and church.

Analysis of ideological issues of relationship between the state and church enables us to conclude that idea of relation of the state and church was developed in different way in various periods. Based on what was the leading force in the history of mankind development – religion, philosophy or both, 1) during religious dominance in theological period, based on gospel, ordinances of the World Council of Churches and teachings of Holy Fathers the symphony of relationship between the state and church was formed, that was based on principles of equality, cooperation and mutual obedience of the state and church; 2) in the period of coexistence of religion and philosophy, i.e. scholasticism the Catholic Church separated from the World Church unity and thus violated symphony of the state and church, that was ended with an idea of dominance of the Church over the State, which led to proper reaction of the State and strengthening of philosophy; 3) In philosophy period the struggle with church and religion was ended with a victory by the state and philosophy that finally resulted by the divorce of the state and church. Such an ideological way of development was passed by the idea of relationship of the state and the church.

The relationship between the Georgian state and church passed a different way of development in comparison to other countries from ideological point of view. Differently from Europe, confrontation of theology and philosophy had not taken place in Georgian reality. On the contrary, the Christian theology in Georgia, which was based on Gospel, teaching of Holy Apostles, ordinances of the World Council of Churches and teachings of Holy Fathers, was an indivisible part of the World Christian theology and developed Georgian philosophy not as its opponent, but as one being in harmony with it, created ideology of symphony of relationship between the Georgian state and church, which determined those relations during fifteen centuries.

Dissolution of the Soviet Union and formation of an independent Georgian state revealed again significance and role of the Georgian geopolitics between East and West, that means harmony of the eastern-religious-church and western-philosophical-state values. The Georgian Orthodox Church oriented to the East and the new Georgian state oriented to the West are today given a chance to return to their historical and geographical roots and to restore religious and geopolitical function on the basis of unification of the eastern-religious and western political values. The best example of such unification is a "Constitutional Agreement" between the Georgian State and the Church, which was drafted to create such system of religious-political relations, that would meet spiritual and material demands of the Georgian nation.

The Orthodox Church, being a successor of the first Christian church teaching, has not changed its attitude towards the state. It has always been and remains a devoted defender of the principle of symphonic relationship with the state.

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54 Wilhelm Leibniz, *Monadologia*, Pentalfa, 1981;

## **Inter-harmonious Relations of the Church and the State**

*Annotation*

**Archimandrite David (Tariel) Chincharauli**

*Caucasus University*

*Student of the Ph.D of the faculty of law*

**Instructor: Irakli Kobakhidze, Associate Professor of Law**

An issue of relations between the church and the state initially was important. Differentiation between their histories is extremely difficult, as they are even unimaginable without each other. Georgian state and church during their many-centuries existence underwent a very difficult and complicated way. Much was sacrificed for maintenance of the independence by the state and purity by the church. Church in dependence from the state always tried to protect itself from extremities. Under extremities is implied intermixing on the one part and confrontation on the other part. According to God commandment: "Give back to Caesar what is Caesar's and to God what is God's".

State comprehends what a great role the church has in its life that is why it tries to create maximally profitable conditions for the church operation. Church in its turn blesses the government and army that is to say "Caesar", and appeals the congregation to obey the power and observe laws. Thus, the church and the state despite the differed functions complement each other, make a common affair. Such wise interdependence is called "symphony".

Humanity sometimes reaches similar ideal relations, though it never reached it fully. All three phenomena for this - nation, church and state would have been ideal.

At the turn of the millennium as the basis of building a new Georgian state shall become our faith. Exactly on this indicated Catholicos-Patriarch of All Georgia, the Archbishop of Mtskheta-Tbilisi and Metropolitan bishop of Abkhazia and Bichvinta, his Holiness and Beatitude Ilia II, when he said "Georgia is looking for its support. Some think that this support is strong in case nation is numerous; some think that the state is strong when it has strong armed forces; some think that nation is strong in case it has a great science and high culture. All this is necessary but the first and necessary is nation's spiritual strength. Exactly for this we are appealed and with this began strengthening our nation... This spiritual strength and the country's integrity are inseparable". Position of the country's spiritual leader is an acting postulate for Georgians. Only in such way the society will manage to build a new Georgian state.

## Perspectives of professional translation in Georgia

**Tatia Akobia**

*Caucasus University*

*Student of the fourth course of the Humanitarian Faculty*

*Instructor: Marina Khuroshvili, Prof.*

I am a fourth year student at Caucasus University and during these years, I have not been an idle on-looker at student conferences, I have always tried to participate actively in them.

General topics of those conferences have always been actual and important. This one is not an exception, but when I read the topic the conference was dedicated to, I realized that it would cover such pressing topics as economy, political decisions, foreign relations and etc. ..There is no doubt that these issues invite very serious discussions, but today we have decided to approach the general issue from another , different angle.

For holding negotiations, making decisions, coping with problems and achieving goals, is essential that people with different cultures and different ideology were talking the same language.

And here on the stage comes a mediator – an interpreter.

The very fact gave me an incentive to study the state of oral translation in Georgia. Notably, major focus of my research will be made on the current conditions of simultaneous interpretation, since it is deemed to be the most demanded, though one of the most difficult types of translation.

Nowadays, in our country we face a lot of problems related to the development of simultaneous interpretation or any other types of oral translation in general. Among those problems are: scarce number of existence of courses meeting with international standards; There is lack of contemporary technologies and professional trainers which are so necessary for comprehensive education and practice in this profession and field.

It's difficult to study translation, but it is more difficult to teach techniques of translation. It's far more interesting, to find out, how deep is the interest of young people towards

translation, namely towards simultaneous interpretation and is it demanded profession in our country or not?

It is obvious that a rapid pace at which the world is developing has posed some changes. These changes prepared a solid ground for bringing the cultures and languages of different countries closer.

Therefore, translation can be perceived as a precondition and as an outcome of this process. General perception of the translator or interpreter does not always match with the stereotypes associated with this profession, thus translating is a much more complex process than only having a comprehensive understanding of two languages.

There is a common saying concerning the evaluation of translation, which sounds as follows:” Translation can be considered successful only when it gets a positive feedback from the society.” Public at large is aware of the complexities connected with the simultaneous interpretation, but does not have a full and comprehensive information about it. It should be pointed out that these complexities are individual by nature and therefore the major problem is either the lack of information or its scarcity.

## **Types of translation and their peculiarities**

As it has already been said, translation is a very interesting and wide sphere. So, there is nothing surprising that there are several types of translation and they all differ from each other.

All the types that I am going to talk about and describe briefly below differ from each other due to their peculiarities; they need different techniques, methods and skills. In every type of translation, the objective of translator/interpreter is different.

To cut it short the main purpose of negotiations, problem solutions and agreements is the establishment of new contacts with different countries in different fields, and it demands not only oral interpretation but translation of official documents in a written form i.e. need not only oral interpretation, but written translation too. I will briefly describe these types of translation for better understanding the differences, difficulties and skills that are essential for accomplishing this or that task:

Written translation – everyone understands that this type of translation is performed in a writing form. Translation of literary texts such as poetry, short stories, novels etc. at first glance is not connected with any obvious difficulties, but when performing the translation, you become aware of certain challenges searching for the equivalents of the words given in a source text, the problem of the meeting deadlines etc. But this time we would like to draw your attention to the problems associated with the translation of non-fiction texts i.e. related to the Medicine for instance. If we do not have any knowledge in this field, we will not be able to translate medical terms correctly. For this purpose many translators may choose to do some preparatory work and look for the information covering the field and the specific issue. But this sometimes proves to be counterproductive as excessive amount of information may bear its imprint on the product of translation, complicating perception of the texts by the unprepared reader. In this case translator should be well aware of the target reader and should decide what language and register to use. Register should be considered while translating official documents and contracts. There are multiple of details and discussing each of them will be time consuming, therefore to put it briefly, one should maintain so called ‘golden middle’.

Consecutive interpretation – the brief description of this type of interpretation is as follows: this oral translation, which involves the translation of whole sentences and in some cases the whole paragraphs, only after the speaker allows us to do so. At first glance this also seems easy, but some kinds of difficulties occur here too. The topic, field as well as the audience should be considered. The most difficult is to concentrate on what the speaker is talking about and to predict what he/she can possibly talk later. A great significance is attached to the memory of an interpreter, because the speaker may talk for a considerable period of time and only after this give you the possibility to start interpreting. So as we see an interpreter needs the skills that are quite different from the skill essential for the translator. These skills are clear and understandable manner of speech, good memory for chunks of information, the ability to adequately process and deliver information.

Simultaneous translation is also a type of interpretation, though the first difference is that, in this case, we need a smart work of a short memory. Interpreter has to absorb and understand information, has to transfer this information to the recipient into his/her language and then forget it, because mind is forced to receive other portion of information and then to process it in seconds. The speaker and the interpreter speak almost simultaneously, so it implies that an interpreter should have the ability of “prediction”. It’s so hard and stressful psychological process, that as a rule no interpreter is able to cope with the interpretation solely, he/she as a rule work in pairs and the productive period for each interpreter is about half an hour. However there is one golden rule, you should not stop talking, and interpret whatever you understand. You might have heard the statement that simultaneous and consecutive interpretations are interconnected,

and if you are not good at consecutive interpretation, presumably you wouldn't be able to make a good simultaneous interpretation too, but as I have found out from my own survey conducted among active interpreters, these two skills, though really interconnected, need different skills and as a rule they stick to their profile – interpret either simultaneously or consecutively. And it's quite understandable as written translation and oral interpretations have been in great demand since the World War II. And this demand preconditioned the opening of special schools for preparation of interpreters and translators, but somehow, there have always been individuals who neglected these schools believing that the ability of interpreting or translation is an inborn quality, that “interpreters are born, not made”. And naturally this statement raises the following question, is translation a science or an art. But you can hardly find a universal answer to that statement and in our opinion you should not look for that answer as translation and interpretation can be considered as some kind of mixture of certain skills, scientific or literary knowledge and art. On the one hand, it is strongly connected with linguistics, and on the other hand with the methods and skills, which are so necessary for interpreters as individuals, and individualism means expression of yourself, and it of course implies an art.

How should simultaneous translation be taught? - before making this presentation today I have read an interesting book about translation and I realized that it can't be taught, you have to master it on your own. You should follow your teacher's instructions, enquire methods you have been taught and use this knowledge in various situations. In order to be successful you have to realize what you really need. If you are not interested in your profession, if you are not pleased with all difficulties and tension translation and interpretation are connected with, you can't be successful. The hardest thing in this profession, and it doesn't matter how good you are, is the realization that you are deprived the right to express your own opinion, that you are always standing behind someone and try to deliver his/her ideas in the best possible way. Only a person who spares no effort and does his best becomes a professional, and this is really hard to achieve.

What is happening in Georgia? – It was not easy to gain detailed information about this issue; I think it's because of lack of interest.

Before covering the state of things in this field in Georgia, I want to share my opinion about the ways how to deal with these problems. First of all, we all should realize necessity and importance of this profession, society should have more information about this field and consequently the interest will rise. Professionals should use their experience, as they are better informed about the existing problems and know what should be done to deal with them, what is necessary for being better informed about the successful courses; but one shouldn't forget that no courses or theoretical knowledge are not suffice to become an interpreter or a translator - there should be a special institution equipped with necessary equipment, which will give students opportunities to work in close to reality situations, get practical experience by attending different conferences etc.

Being part of Europe is impossible without talking to Europe. But, we are still talking in different languages. Being part of Europe does not only mean to be a part of one economic system, keeping peace, or having universal foreign policy or being a member of common market. It means far more...For example: studying and respecting other languages, cultures, history, lifestyle without forgetting our own native language, culture and history. Of course we would talk in different languages but we should study to understand each other in the right way. We, future interpreters, who are standing in the beginning of this hard path, have already realized that translation is not just a mere translation and our role in many aspects could be quite important ...

### **List of applied literature:**

1. D. Seleskovitch, M. Lederer, translation and teaching methods, Tb., 2008
2. <http://translateservice.ge/?page=home> (Last visit 14. 10. 2014.)
3. D. Robinson, Becoming a translator , NY, 2001

## Perspectives of professional translation in Georgia

*Annotation*

**Tatia Akobia**

*Caucasus University*

*Student of the fourth course of the Humanitarian Faculty*

*Instructor: Marina Khuroshvili, Prof.*

I will try to make the outline of my research (briefly):

I think, that in Georgia, work of interpreters and translators is not as popular as it should be. When society speaks about European standards, they give the main attention to following issues, like: Economic development, defense, foreign relations and etc... And everyone knows but nobody mentions that for relations with different people, for negotiations and meetings, they need to speak on the same language, and for this we need translation.

On conferences or on official meetings mainly is demanded Interpretation (especially simultaneous). My goal is to found out the level of interpreters in Georgia, how is the requirement and payment, Is there some practical courses, how it moves on and is it suitable for the international standards which are required or not, differences between Georgia and other European countries in this field , What should be done for developing and etc...

I think, listeners should give the attention to this issue. I will try to speak about general issue from different side and I hope, it will be interesting.

What about the methods of research: meeting with interpreters in Georgia and interview them and get answers about all questions I asked in the beginning , get information from the professionals who know much about problems which exist in this field and know ways how to solve it and make progress, it's the best I can do.

## Directions for improving public procurement law

**Levan Chelidze**

*Guram Tavartkiladze Teaching University*

*Student of the Master degree of the faculty of Business Law*

*Instructor: Vakhtang Machavariani, Doctor of law*

It is commonly known that the Gross Domestic Product (GDP) volume is a key indicator of the economic potential in any country. If we take in to account, the fact, that one of the most important components of the above mentioned indicator is government spending, it is absolutely obvious, that non-corrupt, healthy and competitive environment focused state procurement system has a vital impact on the country's economics.

Therefore, it is not accidental, that the economic part of the Georgia-European Union Association Agreement – Deep and Comprehensive Free Trade Area (DC FTA), ratified on 18 July of this year by the Parliament of Georgia, especially emphasizes gradual integration of the country's existing public procurement legislations with European legislation. In particular, the chapter VIII of the above mentioned document<sup>55</sup> is entirely focused on refining the Public Procurement system. Its article 141 says: “the parties realize contribution of transparent, anti-discriminatory, competitive and open tenders to sustained economic development and intend to open their procurement markets effectively, reciprocally and gradually.” As we can see, this statement emphasizes huge importance of transparent and non-corrupt government spending system in building competitive enterprise environment and stimulating economics.

Based on this, it is quite clear, how important it is to study current trends in the Georgian state procurement system and conduct a detailed analysis. The following research is a modest attempt of this.

According to an information from official references: “the State Procurement system of Georgia experienced a large scale reformed. In particular, so called paper tenders were abolished in the country and the Unified Electronic State Procurement System was established.

It was an important impulse for transparency in government spending and its significant economy. Anti-discriminatory and fair tender procedures of the tender system supported competition and practically eliminated corruption cases<sup>56</sup>

Presented Chart #1 data provides some guidance on the existing situation in the State Procurement environment. The chart shows, that compared to 2011, total value of state procurement agreements of the country increased by 128 422.3 mil. GEL in 2013. It is especially important, that there was a 4.8% increase in total value of state procurement agreements share in total Georgian state budget expenditures, and without a doubt, it must be considered a positive fact.

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55 „The Association Agreement, on one hand between European Union and Atomic Energy Community of Europe and their member states, and on the other hand, Georgia”.

56 „The Competition and State Procurement Agency 2011 Report” page 2

[http://procurement.gov.ge/files/\\_data/geo/about\\_agency/cspa\\_report\\_2011.pdf](http://procurement.gov.ge/files/_data/geo/about_agency/cspa_report_2011.pdf)

## The 2011-13 Georgian State Budget Spending and State Procurement

Trends<sup>57</sup> Chart #1

	2011	2012	2013
Total Georgian State Budget Expenditures (mil. GEL)	5 746 108,0	6 554 288,3	7 248 474,4
Total Value of State Procurement Agreements (mil. GEL)	2 662 663,1	2 771 183,4	2 791 085,4
% share in total state budget expenditures	46,3	42,3	52,3
Electronic Procurement Agreement Contracts (mil. GEL)	1 751 865,9	1 532 447,2	1 710 643, 8
% share in total state budget expenditures	30,5	23,3	23,6
% share in total value of state procurement agreements	65,8	55,3	61,3
Simplified Procurement (mil. GEL)	910 797,2	1 238 736,2	1 080 441,7
% share in total state budget expenditures	15,9	18,9	14,9
% share in total value of state procurement agreements	34,2	44,7	38,7

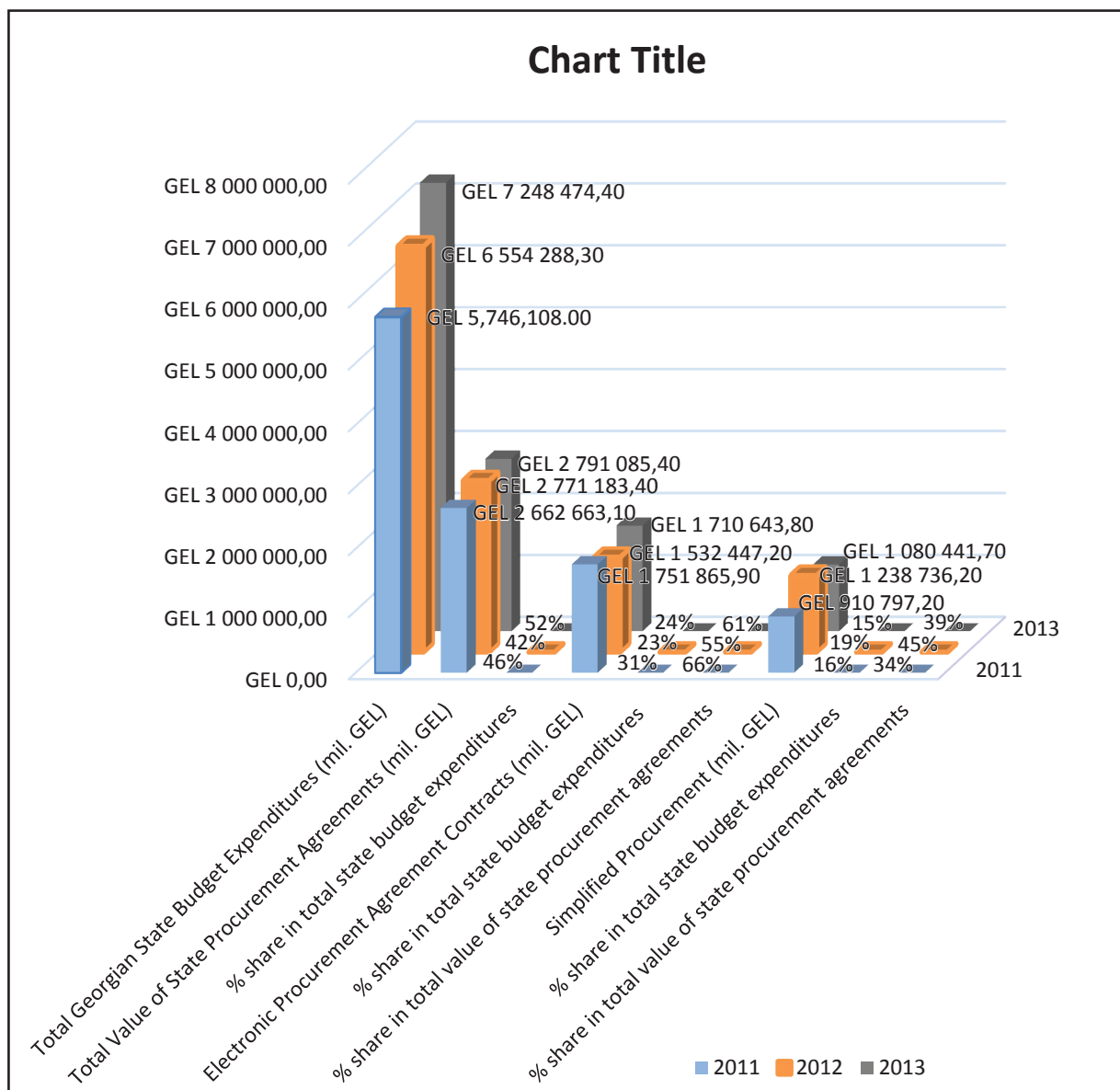
Even though, regardless of this, during this period, share of the electronic procurement contracts, i.e. modern, transparent and less corrupt methods of spending budget money, in the total state procurement value was characterized by reduction trend, both in relation to total state budget expenditures and to total state procurement agreements (refer to the Chart#1). At the same time, compared to 2011, total value of simplified procurement increased by 165 644.5 mil. GEL by 2013, and what is especially important, the share of simplified procurement in total state procurement increased by 4.5%.

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<sup>57</sup> the chart was developed based on respective 2011-2013 State Budget Laws of Georgia and the Competition and State Procurement Agency 2011-2013 report data.

## Electronic and Simplified Procurement for the 2011-13 Georgian State Budget Expenditures.<sup>58</sup>

Chart #1



Based on the above, it is quite clear, that existing state procurement system of the country has certain imperfections and the ways to eliminate them must become an important research direction.

To comprehensively analyze, identify problems and search for the ways to overcome the situation in the existing procurement system, we reckon that it is necessary to discuss the legislation of the environment, on one hand, in relation to the existing economic reality of the country and, on the other hand, in relation to the obligations envisaged in the European Union Association Agreement. Correctness of this approach is also proved by the fact, that refinement of legislation is considered one of the key directions in the Competition and State Procurement Agency (since 23 April 2014 – State Procurement Agency<sup>59</sup>) Strategic Plan,

<sup>58</sup> Strategic Plan of the Competition and State Procurement Agency; May 2013, page 24  
[http://procurement.gov.ge/files/\\_data/geo/strategic\\_plan/CSPA-Strategic\\_Plan\\_Final.pdf](http://procurement.gov.ge/files/_data/geo/strategic_plan/CSPA-Strategic_Plan_Final.pdf)

<sup>59</sup> The Government of Georgia 23 April 2014 #306 decision

It is known, that the main purpose of the Georgian Law on State Procurement is to spend rationally state funds. For this purpose, the law and its issued corresponding bylaw standard acts consider arrangement of public and transparent state procurement generally using two electronic tender forms – Electronic Tender and Simplified Electronic Tender. Although, in certain cases, when it is not possible to arrange state procurement in accordance to the above mentioned tender procedures, as an exception, the law warrants possibility to use simplified procurement. In particular, the sub-paragraph “r<sup>1</sup>“, paragraph 1 of article 3 and the article 10<sup>1</sup> regulations of the document, given below, clearly and unambiguously define cases, which warrant possibility to use simplified procurement:

- procurement of similar items valued up to 5000 GEL (up to 50 000 for foreign diplomatic representatives and consulate establishments of Georgia);

- defense, security and public order associated procurement made by Ministry of Internal Affairs of Georgia, Ministry of Defense of Georgia and State Security Special Service – similar items valued up to 20 000 GEL;

- when only one person has an exclusive right to supply, work and provide service.“

Although it is logical to apply statutory simplified procurement in the above exceptional cases, we think that special attention must be paid to those cases, making possible to use simplified procurement, which comply to the “**urgent necessity**“ definition of the sub-paragraph “b“, paragraph 1 of the article 10<sup>1</sup> of the State Procurement Law.

The matter is that general and universal nature of the “**urgent necessity**“ term of the law and other state procurement regulating laws, quite likely, can enable dishonest persons, participating in the state procurement, to make corrupt deals.

According to the sub-paragraph “k“, paragraph 1 of article 3 of the State Procurement Law of Georgia, an urgent necessity is considered to be (and therefore is subject to simplified procurement): „a condition, ...which can seriously harm state or/and public interests of Georgia, or assets of the purchasing organization“. It does not exclude and theoretically makes it possible for a dishonest purchasing organization to artificially create time pressure situation, to procrastinate planned procurement in the budget year. And as a result, justifying his decision on the one hand, because of insufficient time to arrange procurement according to electronic tender procedures, on the other, to avoid damage to the assets of the organization, on compelling legal grounds, will request conduct of simplified procurement, which has increased risk of corrupt deals.

Reality of this kind of threat in the existing state procurement legislation is proved by the fact that simplified procurement regulating bylaw standard act includes a preventive record to avoid this type of situations, which says: -„purchasing organization must avoid, as much as possible, deferring procurement, so that urgent necessity is not created artificially“<sup>60</sup>.

Even though this regulation is logical, we think that its bylaw standard act does not establish sufficient guarantees to eliminate possible problems in the State Procurement Law, and, what is very important, do not comply with requirements of the Georgian-European Union Association Agreement of giving priorities to open tenders in the public procurement system.<sup>61</sup>

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60 Chief of the State Procurement Agency sub-paragraph “b“, paragraph 1, article 3 of the 7 April 2011 #9 order on Approving the Simplified Procurement, Simplified Electronic Tender Rules.

61 e Georgia-European Union Association, the paragraph 1, article 141, chapter VIII of the section IV.

Therefore, we think it would be appropriate to make changes in the Georgian Law of Public Procurement, which will essentially maximize number of state procurement tenders, in particular:

- define the sub-paragraph “k“, paragraph 1, of article 3 of the State Procurement Law of Georgia as:

- „urgent necessity - condition which creates real threat to purchasing operation or which can cause significant damage to state or/and public interests of Georgia or assets of purchasing organization, which did not occur as a result of action/inaction of the purchasing organization and/or could not have been identified in advance.“

- supplement the functions of the State Procurement Agency, defined in the paragraph 6 of article 4, with a regulation with an emphasis on procrastination prevention. For this reason, define the sub-paragraph “m” of the paragraph 6, of this article as follows:

- „identification and respective response to the facts of procrastination and artificial division when conducting state procurement.“

- supplement an obligation to approve standard act on rules to identify artificial procrastination of procurement by the State Procurement Agency, as “h” sub-paragraph, envisaged in article 24 of the law, paragraph 10 of transition and concluding regulations.

It is known, that, according to the Law of Georgia “on State Procurement”, generally, it is possible to conduct state procurement in three means: - **electronic tender** ( when the purchased item is valued 200 000 GEL or more); **simplified electronic tender**, (when the purchased item is valued less than 200 000 GEL) and **simplified procurement** (when the purchased item is valued up to 5 000 GEL). At the same time, when purchasing specific item, the value of the item generally determines selection/usage of the above mentioned means.

Therefore, it is absolutely obvious that it is important to determine value of the item, when conducting state procurement. Currently, the Georgia-European Union Association Agreement<sup>62</sup> obligation, which envisages introduction of new monetary limits in the state procurement system and, based on this, is related with a necessity to make amendments in the Law of Georgia “on State Procurement”, especially emphasizes it.

Also, it must be noted, that it must not be especially difficult to adopt expected amendments, based on certain experts’ point of view, taking into account technical nature of the amendments. We think that it must be regarded as quite a controversial opinion, taking into account the following circumstances: -the monetary limits envisaged in the XVI-A Annex of the Georgia-European Union Association Agreement, are quoted in a foreign currency, in particular, in Euro, and –“when applying these monetary limits, Georgia must estimate value of the agreement and convert into the national currency, using the Bank of Georgia exchange rate.“<sup>63</sup>;

- in addition, according to part 4, article 142 of the agreement, in the future, price of the state procurement process deals will be quoted without the Value Added Tax. In terms of adaptation, it may cause certain problems to existing reality, as according to the existing standard acts, state procurement price can be formed “taking into account or disregarding the Value Added Tax“<sup>64</sup>.

Taking into account all the above mentioned, we think, that it is quite clear, that “mechanical” reflec-

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62 The Georgia-European Union Association Agreement, paragraph 3, article 142, chapter VIII, section IV.

63 -Deep and Comprehensive Free Trade Area - DC FTA, annex XVI-A, according to paragraph 4 of article 142

64 Chief of the State Procurement Agency sub-paragraph b, paragraph 1, article 3 of the 7 April 2011 #9 order on Approving the Simplified Procurement, Simplified Electronic Tender Rules.

tion of these amendments in the existing state procurement legislation, may result in significant novelties and, based on this, in probable complications.

Thus, we think that it would be appropriate to conduct the process of reflecting the Georgia and European Union Association Agreement obligation, envisaged in the article 142, chapter VIII, section IV of the agreement, based on participation of all stakeholders, including broad segment of enterprises, and exceptionally important, the decision made as a result of a comprehensive analysis. It is known, that according to the Law of Georgia “on State Procurement”, execution of a number of organization and procedural type of issues (including electronic tender and simplified electronic tender)<sup>65</sup> is regulated according to bylaw

This fact presents a completely logical and, in legal terms, right decision, as according to the sub-paragraph 9, article 7 of the Law of Georgia “on Standard Acts”:-“bylaw standard acts can be adopted (issued) by the adopting (issuing) agency (official), in its capacity, only to execute legal acts and if it is directly envisaged in the legal act.”

Regardless of this, it can be said, that there exists a significant problem in the legislation, as according to the regulation of the paragraph 5, article 1 of the State Procurement Agency Chairman 7 April 2011 #9 Order “on approval of simplified procurement, simplified electronic tender and the rule to conduct electronic tender”: -“if incompatibility occurs between the procedures defined in this rule and procedures existing in the Unified Electronic State Procurement System, priority is given to the existing procedures of the system. No later than seven days after the occurrence of this incompatibility, the State Procurement Agency must prepare respective amendments and/or supplements in/to the rule and start legally established procedures to amend and/or supplement the rule.”

As we see, according to the above mentioned regulation, uncertain type of regulation “in the Unified Electronic Procurement System” of the document have legal priority over the bylaw standard acts, issued according to the Law on State Procurement. We think that it completely contradicts the existing legislation.

At the same time, if we take into account the emphasis of this document, according to which, the agency pledges to reflect within seven days “one or another norm recorded in the Unified Electronic System”, which is almost impossible, taking into account the adoption-issue procedural peculiarities of standard act (including forensic examination), we think, it would be completely logical to decide that it is necessary to amend the paragraph 5, article 1 of the State Procurement Agency Chairman 7 April 2011 #9 Order.

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65 Chief of the State Procurement Agency “p” and “q” sub-paragraphs, first paragraph, 3rd article of the 7 April 2011 #9 order on Approving the Simplified Procurement, Simplified Electronic Tender Rules.

### **List of applied literature:**

- 1 „Association Agreement on one hand, between European Union and European Atomic Energy Community and their member states, and, Georgia on the other hand“
- 2 „The State Procurement Agency 2011 report“, page 2  
[http://procurement.gov.ge/files/\\_data/geo/about\\_agency/cspa\\_report\\_2011.pdf](http://procurement.gov.ge/files/_data/geo/about_agency/cspa_report_2011.pdf)
- 3 „Data from the 2011-2013 State Procurement Agency reports“
- 4 The Government of Georgia 23 April 2014 #306 decision
- 5 „Strategic Plan of the State Procurement Agency“; May 2013, page 24 [http://procurement.gov.ge/files/\\_data/geo/strategic\\_plan/CSPA-Strategic\\_Plan\\_Final.pdf](http://procurement.gov.ge/files/_data/geo/strategic_plan/CSPA-Strategic_Plan_Final.pdf)
- 6 Georgia-European Union Association Agreement
- 7 Deep and Comprehensive Free Trade Area - DC FTA
- 8 The State Procurement Agency Chairman 7 April 2011 #9 order “on approval of simplified procurement, simplified electronic tender and the rules to conduct electronic tender”.

## **Directions for improving public procurement law**

*Annotation*

**Levan Chelidze**

*Guram Tavartkiladze Teaching University*

*Student of the Master degree of the faculty of Business Law*

*Instructor: **Vakhtang Machavariani, Doctor of law***

Taking into account huge role of the state procurement and its substantial contribution to the Gross Domestic Product and, generally, to national economic potential, first part of the research paper presents the latest State Procurement statistical data. Base on conclusions, made after analysis of the data, in particular, to identify and eliminate the causes of undesirable trends existing in the State Procurement system, the second part of the research paper analyzes existing State Procurement regulating legislation – on one hand, based on the existing economic reality in the country, on the other hand, in regard to the obligations, considered in the European Union Association Agreement.

Based on the results of the analysis, final part of the paper presents specific recommendations to overcome existing imperfections.

After analysis of legal, social-economic and corruption threats, expected as a result of the changes, envisaged in the above mentioned agreement, the paper will present proposals/recommendations intended to refine (including anti-corruption measures) the imperfections.

# **Discretionary Criminal prosecution and the problem of equal protection of interests.**

**Tamar Gvasalia**

*Caucasus University*

*Student of the second year of master degree of the faculty of law*

*Instructor: Gia Mefarishvili Prof.*

## **Introduction**

Discretionary criminal prosecution is the product of modern code of the criminal procedure of Georgia. According to this Code “Discretionary” defined as a free will of the prosecutor to begin or cease the criminal pursuit. The main source of the Discretionary pursuit for the prosecutor in this case is guideline principles of criminal policy which are accepted by the Ministry of justice of Georgia in 2010. The foremost problem of the principle of criminal policy is that it makes possibility not to start pursuit in accordance with the public interest. We believe that, this so called liberal institution establishes important limitations and is dangerous for the constitutional guarantees in the field of human rights. This point is particularly important under the changes in Georgian Criminal law. New regulations of criminal law state higher level of protection of guarantees and rights of victims in criminal cases.<sup>66</sup> In line with the actuality of these issues, our goal is to define is there protected the balance of interests in the Georgian mode of discretionary pursuit? - and to try to find legitimate basis of authority of the prosecution office to decide which is the primary interest- victims private attitude or general public feelings about crime. We will try to discuss about this crucial issues in accordance with the European standards. Only after that we will have opportunity to conclude how conformable is Georgian criminal legislation to European demands.

## **Discretionary criminal prosecution In Georgian code of criminal justice**

Before the Georgian parliament received new code of criminal procedure of Georgia in 2009 criminal justice based on the principles of “compulsory criminal prosecution” which means that, prosecutor was obliged to start the criminal pursuit in every case. Nowadays discretionary principle in accordance with order of the ministry of justice of Georgia (08.10.2010) means that, prosecutor is a free in his/her choice to start or not to start criminal pursuit.<sup>67</sup> As a rule, these guideline principles are oriented to protect general public interest.

“Discretion” as a legal principle is not innovation in legal space. But it set in Georgian criminal legislation in a difference way. According to the Georgian approach to this principle, it constitutes limited freedom of prosecutor to make a decision, and define a “supreme” interest. Justification of the using of discretion principle in criminal justice based on the fact, that, more often than not it is no feasible to regulate all possible legal problems by law, because it’s difficult to foresee all legal and criminal cases. Therefore, legislator gives the right of “Discretion” to the plenipotentiary authority to receive a decision with the consideration of all specific circumstances.<sup>68</sup> Georgian code of criminal procedure generally admits the principle of discretion, and criteria of usage of this principle, is founded in the guidelines. In terms of the guidelines, we should pay attention to some crucial problems. First of all, it is a legal act, received by the ministry of justice of Georgia. The legitimacy of this act depends on the accessibility and openness of the

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<sup>66</sup> see the changes in criminal law in official web page [https://matsne.gov.ge/index.php?option=com\\_ldmssearch&view=docView&id=2083578&lang=ge](https://matsne.gov.ge/index.php?option=com_ldmssearch&view=docView&id=2083578&lang=ge)

<sup>67</sup> Ministry of Justice of Georgia (2010.10.08), “the order of affirm general principles of criminal law policy”

<sup>68</sup> Zipelius, R. (2006), Doctrines of legal methods

whole order. But Georgian code of criminal procedure directly states that, the only general part of this order is acceptable and public. All these statements in the Code mean that Georgian legislators had attempt to legalize of secret normative act. When the Georgian Constitutional Court held in its decision, suggested that mystified normative act is misplaced to the constitutional legal space and guarantees, and regarded this kind of normative act unconstitutional.<sup>69</sup>

It is approved point of view in Georgian practice that, “guideline “promotes to establish similar practice. It is undoubtedly that, prosecutor acts under the limits of his/her powers. But at the same time, prosecutors rights to receive a decision should not limited unreasonable, to expose a danger of non effective criminal justice. Moreover, it expels individual approach to criminal cases and makes possibilities to found similar practice in some criminal cases.<sup>70</sup> According to this, It is not impossible to grow the cases, in which criminal has the expectation to avoid penalty and criminal pursuit by the pease of Discretionary criminal principle.

### **Balance of interests under the discretionary criminal pursuit**

One of the most problematic issues in last couple of years in Georgian criminal justice is the legal face of victims. According to the legal researches, nowadays victims are in the central place of criminal justice. In the legal literature it is accepted idea that, victims should have wide verity of rights. This question was considered internationally, by the international organizations (such as Council of Europe and United Nations). They call for the states by their recommendations to improve victims’ conditions, grow their rights and make them as an active subject of criminal procedure. These recommendations were successfully accepted by some European countries<sup>71</sup>, but Georgia, take into account this recommendations only now.<sup>72</sup> Protection of victims’ rights, freedoms and legal interests are the main obligation of state. In Georgian code of criminal procedure, are some articles, which consider minimal standards about victims. These standards before the changes were mostly formal and had not strong enough character, to make victims as an active and powerful participant of criminal justice. Contemporary meaning of Legal State, first of all includes the criteria of equally protection of interests. But the modern definition of criminal pursuit and the victims in Georgian code of criminal procedure are dramatically different from this idea. Georgian mode of discretionary pursuit gave right to the victims to appeal prosecutors’ decision about discretion only to the higher prosecutor.<sup>73</sup> Firstly, it meant, that Georgian code of criminal procedure, unjustified limits victims’ rights to address to the court. Secondly, we face serious legal danger, because the foremost goal of criminal justice is to execute general object of material criminal law. In Georgian criminal code it is definitely consider that, the main idea of criminal law is to protect law and order. <sup>74</sup>We undoubtedly agreed with the statement that, the main objectives of contemporary legal state is whole society as well as its every member. Therefore, law should equally refer to not only charged person but also to the victims of criminal acts. These “legitimate influence” was the main motivator for the legislators to make a serious changes in law to increase the rights of victims. Now law states that, victims, has possibility to appeal prosecutor’s decision not only with the higher prosecutor, but also in the court. But unfortunately victim is limited to

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69 Decision of Constitutional Court of Georgia N 2/8-48-54/1

70 Mefarishvili, G; Chkheidze. I. (2010) about the discretionary principle in Criminal Procedure Law

71 for instance see the law of the reforms of victims’ rights of German federation (2004.11.09)

72 for instance see the changes in Code of Criminal justice, in the official web page [https://matsne.gov.ge/index.php?option=com\\_idmssearch&view=docView&id=2083578&lang=ge](https://matsne.gov.ge/index.php?option=com_idmssearch&view=docView&id=2083578&lang=ge)

73 for instance see the Code of Criminal Procedure of Georgia Article 106 (2009)

74 see Criminal Code of Georgia, article 1th (1999)

appeal prosecutor's decision in court according to the category of crime.<sup>75</sup>

### **Criminal pursuit in accordance with foreign countries legislation**

As it mentioned above, discretionary criminal pursuit is not innovation for legal society. But Georgian mode of discretionary in criminal law, is quite different from the foreign countries' experience. Thus, we think that comprehensive consideration of discretionary criminal pursuit will be important.

It is reasonable to start with the examples of continental Europe. Let us, consider discretionary pursuit by the example of France. In the France code of criminal procedure regards, that prosecutor has right to start pursuit, which means that, by the law they have possibility to use discretionary principle in criminal justice. But in criminal code of procedure it is directly denoted that, prosecutors' are not powerful to use discretionary principle in case of felonies or other types of serious crimes. At the same time, victims have right to appeal prosecutor's decision in the court.

As for the German criminal code of procedure, prosecutors have limited possibilities to use discretionary principle in times of criminal pursuit. Furthermore, It is precisely state in law when can prosecutor use discretionary pursuit. Victims have a right of privet pursuit in German as well as in France.

Italian mode of criminal pursuit is quite different from the above considered models. Because Italian law excepts possibilities of using discretionary principle on criminal cases. In Italian legal science regards, that sometimes it there is danger to overindulged discretionary principle.

In Spain, criminal pursuit generally is the business of prosecutors, but by the law of Prosecutions all citizens also have right to start criminal pursuit. This directions itself means that, there, in Spain the rights of victims are protected in a higher level.<sup>76</sup>

After the consideration of continental European pattern of criminal pursuit, we should transfer to examine the originality of Anglo-American law. For instance, in England criminal pursuit does not start automatically in every criminal case. But legal control to the discretionary pursuit by the court is guaranteed. At the same time, in England, victim can start privet criminal pursuit independently.<sup>77</sup>

For the comprehensive research it will be important to review criminal code of procedure<sup>78</sup> of the USA. It will be fair to say that, in the USA discretionary principle in criminal justice does not exist directly, but prosecutors' have almost unlimited right to start or not pursuit in criminal cases because of inadmissibility. Moreover, the meaning of "admissibility" is not interpreted in law. Therefore, prosecutors' use practice examples and standards to consider is there criminal pursuit admissible or not?

### **Conclusion**

We above discussed about the discretionary principle in Georgian and foreign countries criminal justice.

As it was clearly defined in this topic, discretionary principle in Georgian criminal legislation is new enough concept, but it successfully exist in some different countries. The main advantages of discretionary prosecution are that, by the using of this we can reasonable use state resource, and not to start criminal pursuit for the so called insignificant types of crime, which can not give rise serious

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<sup>75</sup> According to the article 168th of the Code of criminal procedure of Georgia, victim can appeal prosecutor's decision in court if there is an information about felonies.

<sup>76</sup> VIngaerti, C. (2002). The System of Criminal justice of European Union's countries.

<sup>77</sup> Code for Crown Prosecutors of the U.k (2010)

<sup>78</sup> Meiller, K. (2006) Comprehensive Criminal Justice

damages. from the comprehensive view, it will be fair to say that Georgian model of discretionary differs from other countries practice. Almost non of the countries where discretionary criminal pursuit is accepted prosecutors' rights for using discretionary pursuit is not "unlimited". As we mentioned above, courts control on the discretionary pursuit is obligatory, in some countries legislations. At the same time, in that countries, it is important to pay attention Victims legal status and interests and it consists high enough balances of his/her interests.

For the recommendation, it is true that there is no direct consideration of Victims and his/her rights In Georgian constitution, but from the general review of human rights stated in Georgian constitution, we can say that legal authorities are obliged to protect human rights equally. Moreover, Discretionary pursuit means that, pursuit is somehow entrust to public institutions, therefore, victims should have an effective mechanism to control prosecutors' actions by all means. Thus it is so important to make a changes in the code of criminal procedure of Georgia and victims have a rights to appeal prosecutor's decision not only in case of felonies.

### **List of applied Literature:**

1. Constitution of Georgia (1995)
2. Code of Criminal procedure of Georgia (2009)
3. Code of Criminal law of Georgia (1999)
4. The order of affirm general principles of criminal law policy of the Ministry of Justice of Georgia (2010)
5. The law of the reforms of victims' rights of German federation (2004)
6. Code for Crown Prosecutors of the U. k. (2010)
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# **Discretionary Criminal prosecution and the problem of equal protection of interests.**

*Annotation*

**Tamar Gvasalia**

*Caucasus University*

*Student of the second year of master degree of the faculty of law*

*Instructor: Gia Mefarishvili Prof.*

Discretionary criminal pursuit is the product of modern code of the criminal procedure of Georgia. According to this Code “Discretionary” defined as a free will of the prosecutor to begin or cease the criminal pursuit. The main source for the prosecutor in this case is guideline principles of criminal policy which is accepted by the Ministry of justice of Georgia in 2010. The foremost problem of the principle of criminal policy is that it makes possibility not to start pursuit in accordance with the public interest, in spite of the consideration of interests of victims. This so called liberal institution establishes important limitations and is dangerous for the constitutional guarantees in the field of human rights.

In line with the actuality of these issues, our goal is to define is there protected the balance of interests in the Georgian mode of discretionary pursuit? - and to try to find legitimate basis of authority of the prosecution office to decide which is the primary interest- victims private attitude or general public feelings about crime. We will try to discuss about this crucial issues in accordance with the European standards. Only after that we will have opportunity to conclude who conformable is Georgian criminal legislation to European demands.

In this thesis we will discuss about the essence of the criminal pursuit, discretionary principles in Georgian code of criminal procedure. We will consider the problem of clashes of interests and other accompanying points which are relevant for the contemporary legal life.

# **Disability discrimination within the employment field in Georgia and the ways of its overcome**

**Gvantsa Kokoshvili**

*Caucasus University*

*Student of the Master degree of the faculty of International Relations and Public Administration*

*Instructor: Sergi Kapanadze, Ph.D*

## **Introduction**

On 13 March 2014 Georgia ratified UN convention of 2006 about the respect of the right of the people with disabilities. According to this convention, one of the requirements that Georgia must meet is to take appropriate measures against any kind of the discrimination against the people with disabilities. On 27 June 2014 the EU signed the association agreement with Georgia within which it took responsibility to enact essential reforms in different sectors in the period of next 3-8 years. There are directives as separated articles in the association agreement related to the labor legislation, elimination of discrimination on multiple grounds and protection of health and security in the work places. One of them was the European Commission 2000 years' directive about equal treatment, which Georgia must fulfill during the next 3 years. One of the articles concerned the elimination of the discrimination of the people with disabilities in the work places and the measures to meet their needs.

The aim of the research is to find ways how to meet those requirements and thus describes different means to eliminate the discrimination of the people with disabilities in the workplaces in Georgia and establish equal employment opportunities for them that will contribute to their full integration in the society and thus raise their self-esteem.

According to the World Health Organization there are more than one milliard disabled persons, that is 15% of the world population (2010). This number increases every year, especially in the low and middle income countries due to the low level of health, high rates of chronic diseases and many other factors<sup>79</sup>. There is not any statistical data in many countries of

the world, including Georgia, on the employment rate of the people with disabilities, though according to the UN data, in the developing countries 80-90% of the persons with disabilities of working age are unemployed and 50-70% in developed countries<sup>80</sup>. Today there are 123,332 registered persons (receiving social assistance)<sup>81</sup> with disabilities in Georgia from which 114,390 represent are working age population<sup>82</sup>. According to our research, the average number of employed people with disability for one organization falls to less than 0.4 (this data does not reflect the real picture, due to the low engagement of organizations in this research)<sup>83</sup>.

Public attitude toward the people with disabilities has the long history. During the Soviet era there were frequent violation of disabled people's rights with prevailing slogan "Disabled people do not live with us". Protection of the rights of disabled people in Georgia originates from the 80s. The emergence of the first

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79 World Report on Disability, WHO/WB 2011

80 UN Enable. Disability and Employment

81 the number of the recipient of social assistance divided into groups [http://ssa.gov.ge/index.php?lang\\_id=&sec\\_id=882](http://ssa.gov.ge/index.php?lang_id=&sec_id=882)

82 the number of the recipient of social assistance divided by sex and age

[http://ssa.gov.ge/index.php?lang\\_id=&sec\\_id=882](http://ssa.gov.ge/index.php?lang_id=&sec_id=882)

83 Appendix #1

non-governmental organization for the protection of the rights of disabled people is related to this period. Today, the Social attitude toward the people with disabilities is better than it was in the Soviet era, but the discrimination of these people still exists and the role of the government involvement in the resolution of this problem is huge<sup>84</sup>.

### **Problem description**

Today Georgian government is oriented towards the identification of the basic and social needs of the people with disabilities. The employment issue of the people with disabilities is not in the foreground. Employment is not perceived as an essential part of the social rehabilitation and self-establishment, thus it is necessary that government take the appropriate measures to solve the problem of unemployment, develop effective policies and mechanisms for their effective implementation.

In the developing countries, where is a high rate of poverty and unemployment, there is a special link between poverty and disability. In the developing countries, including Georgia, disabled people live in extreme poverty, furthermore they are not integrated in the society and have no opportunity to be employed<sup>85</sup>. Besides the government`s moral responsibility to take care of the dignity and social integrity of the people with disabilities, their employment has many other benefits. By their employment government can maximize human recourses and the disabled people can become the labor population. The non-integration of the people with disabilities in the labor market causes costs for economy and social disadvantages for the persons concerned<sup>86</sup>.

The people with disabilities face many barriers in the labor market that causes the high rate of unemployment. **Today, the most of the officially registered 114,390 disabled persons of working age in Georgia have no opportunities to be employed.**

One of the main causes of the problem is a stigma that exists in the society that the person with disability is not able to do anything and is totally ineffective; people express only compassion toward him/her or even aversion and aggression. The society is indifferent, ignorant and unprepared for the perception of the priority of the above mentioned problem. All the above mentioned causes affect the motivation of the disabled people, their aspiration to social integration and their mental health.

Unfortunately people often use words in the negative context when speaking about the people with disabilities that contribute to the reinforcement of the negative stereotypes about the disabled persons. Despite the government`s effort to ensure the protection of the rights of the people with disabilities, it was not able to raise awareness of the people about those issues.

Another important barrier of their employment is that they do not have access to the inclusive education or professional trainings and employers often complain about their low qualification. Although Georgia has an inclusive education programs, today, this problem still remains the main challenge of the government due to the fact that the people with disabilities have less access to education, less opportunities to become qualified in their desired profession and interact with the society.

Although the rights and social integration of the people with disabilities take an important place in Georgian legislation, their unemployment is still an essential problem, because there is not low enforcement mechanisms, the legislation should be improved and appropriated to the UN convention of 2006.

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84 R. Iotamashvili (2007), History of disability

85 Un.org Enable

86 World report on disabilities pg.236

It still remains a problem that there is no an official statistical data about the whole number of the persons with disabilities in Georgia, their divisions into age groups or regions and the rate of their employment<sup>87</sup>. The lack of statistical data does not influence directly to their unemployment, but it prevents to draw the real picture and to monitor and evaluate the implemented policies. The lack of infrastructure is another cause of their unemployment, because in order to avoid additional costs by adapting their infrastructure to the needs of the people with disabilities, employers often abstain from employing the disabled persons.

The existing economical condition of Georgia and high unemployment rate also affect the low unemployment rate of disabled people, but this problem is broader and is not directly related to the establishment of discriminatory environment in the work places.

### **What measures to take to contribute to the employment of the people with disabilities?**

#### **1. Raise awareness of the employers and society; change the stereotypical perceptions toward the abilities of the people with disabilities.**

Public perception and stereotypes toward disabled people that has existed in the society for years harmed the process of their social and work integration<sup>88</sup>. Government`s clearly defined agitation and social propaganda are those means that can change this perception and Media also plays an important role in this process. More political, social and sportive activities are the ways to achieve those goals: raise public awareness and change the stereotypical approaches toward disabled people. Moreover, It is necessary to define right terminology toward the people with disabilities, prepare the media action plan, organize and broadcast more events and activities for the people with disabilities, conduct meeting at schools, universities and organizations to speak about the problems of the disabled persons. This campaign should be carried out at the rural level too<sup>89</sup>.

The main advantage of this alternative is that it affects directly one of the barriers that the society builds by above mentioned stigmas and stereotypes, though there is not conducted research or studies about the correlation between effective implementation of the campaign and the employment rate of the people with disabilities. Furthermore, this policy will have long-term impacts, because it takes long to change public perception. Moreover this campaign is quite costly.

#### **2. Providing more access to professional education and contributing to the rehabilitation and self-employment of the people with disabilities.**

Sometimes, despite the willingness of an employer the person with disability could not get job because of the lack of necessary competences and the acquisition of such competences is possible through the professional education, but neither public not private sector can provide such education for them. Through the government intervention and effort it is possible to establish professional education/rehabilitation centers, find and involve different private or international organizations. The knowledge acquired in such centers will give them the opportunity to develop professionally, raise their self-confidence and contribute to their self-employment.

These services are mainly related to trainings, consultations and employment. For instance in Thailand professional school of the people with disabilities conducts computer and business management trainings<sup>90</sup>, though in the developing countries such professional services are less effective, because due to the

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87 Official letter from the national statistics office of Georgia

88 Appendix #2

89 <http://www.dinf.ne.jp/doc/english/intl/z15/z15009gl/z1500904.html>

90 World report on disabilities, pg.245

high cost of this service, disabled people cannot be involved in such programs, moreover those centers can offer only the programs such as carpet weaving or shoe repair which do not meet the market requirements. Establishment of so called self-help institute, where the people with disabilities would help each other in their self-development or creation of the programs under which local government could contribute to their selfemployment through the micro financing services.

The above mentioned project should be implemented through the cooperation of government and private sectors because there are many cases when those involved companies themselves employed disabled persons in permanent jobs. (E.g. USA)<sup>91</sup>

This alternative has many advantages: the people with disabilities acquire necessary skills for the development of their employment opportunities; it contributes to the connection of employees and employers and to their integration in the labor market. This alternative has also disadvantages. International study of income-generation strategy provided 4 factors of the success through analyzing 81 self-employers projects. These factors are:

- Self-managed identity (self-confidence, energy, riskiness)
- Appropriate education (knowledge, technical skills, business skills)
- Availability of resources (advice, capital, marketing support)
- Favorable social and political environment (political support, community development, the rights of the people with disabilities)<sup>92</sup>

Thus only the professional education/rehabilitation is not sufficient for self-employment. These four factors, especially availabilities of recourses and capital which the people with disabilities who often live in extreme poverty do not have, are also important. Regarding the microfinance programs, although they are open for everyone, including the people with disabilities, based on anecdotal evidences only small number of disabled persons benefit from such loans, because they do not have sufficient assets to get loan.

### **3. Establish quota system and encourage private organizations to employ the people with disabilities.**

In many countries, quota systems are widely used for the employment of the people with disabilities. The advantage of this principle is that its fulfillment does not depend on the good will of employers, but the government obliges them through the legislature mechanisms to designate or create work places for the people with disabilities. Such legislature mechanisms are necessary, since the stereotypical attitudes of the employers that the labor productivity of the people with disabilities is low, the lack of appropriate infrastructure in many companies and additional costs for its establishment make unattractive for employers to hire the people with disabilities in their companies. Therefore disabled person does not have the opportunity to compete with nondisabled person in the labor market. The employment quota system stipulates that employers shell employ physically disabled persons at the pre-determined percentages. In case the employers are not willing to meet these requirements, they have to pay fees to special funds. Those funds are then used for their education or the establishment of the work places or the appropriation of the existing work places to their needs and for other problems. Austria, Germany and France have successfully used this principle of employment.

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91 World report on disabilities, pg.246

92 World report on disabilities, pg.247

Quota system has its disadvantages. In that system preference is given to one group at the expense of another and quota becomes the main factor of their employment and not their experience or education. It means that the whole system is focused on disability and not on the working capacity of the person. Therefore quota may become the cause of reverse discrimination.

In many countries the government allocates subsidies for those enterprises that employ the people with disabilities. The government sets the tax benefits for such organizations, especially for small businesses. Such benefits may be also given to those organizations which exceeds the quotas imposed by the state or which have the people with disabilities employed although the quotas are not imposed on them because of the small number of employees in their companies (less than 50 workers)<sup>93</sup>.

This alternative has many advantages: It may be implemented in a short time and gives the outcome in a short term perspective. It affects directly to the employment rate of the people with disabilities and therefore beneficiaries' satisfaction level will be high. The establishment of the system requires small financial resources and in the long term perspective it influences on the rehabilitation process of the people with disabilities and has indirect impact on public awareness. It is also important to note that moneys from the above mentioned funds will be spend on the other needs of the people with disabilities.

### Outcomes Matrix

In order to summarize results and draw a conclusion it is necessary to summarize those above described alternatives, define criterions and based on those criterions identify best option. In order to identify best alternative it is necessary to determine those criterions which the government often considers as important indicators in decision making and policy choosing process. Those criterions are: time, cost, and efficiency, satisfaction of beneficiaries, adequacy, and responsiveness. Based on these criterions the minimum (1) and maximum (5) points were determined. Taking consideration the difficulty of the estimation of money and time, the process carried out in a short term is evaluated with the highest scores and long term process with the lowest scores. The same principle is used in the cost evaluation process\_ small budget projects with the highest scores, big budget projects with lowest scores (5point\_6 months, 4point\_1 year, 3points\_ 1.5yaers, 2points\_2years, 1 point\_2.5years, costs range from 100000-5000000). The data is based on guestimate methods.

Criteria/ Alternatives	time	Cost	Efficiency	Satisfaction of beneficiaries	Adequacy	Responsive-ness
1	1	2	3	3	4	4
2	3	3	4	3	4	4
3	4	4	5	4	4	3

### Conclusion

#### Best alternative for the employment of the people with disabilities in Georgia

93 Practice of the implementation of the convention on the rights of the people with disabilities in EU member countries

It is difficult to choose one from above defined alternatives, because the consistent implementation of all these alternatives would be much more effective than only of one of them, but that is unrealistic. Thus regarding the lack of the financial resources, the best and the most effective alternative that is evident from the outcomes matrix is the third alternative: **Establish quota system and encourage private organizations to employ the people with disabilities.** This alternative is quite flexible and its implementation does not take much time. Comparing to other alternative it is less costly, since it requires only the legislature changes. Moreover in case of their employment the people with disabilities will no longer receive social assistance from the state.

The satisfaction of beneficiaries is the highest than in case of the implementation of other alternatives. Although the establishment of new regulation may incite the dissatisfaction of the private companies, the preferences are however given to this alternative because of that important effect that the alternative has by introducing the quota system and involving private organizations in the employment of the people with disabilities.

For the implementation of the selected alternative it is necessary:

1. To establish quota system
2. To create special funds(define the mission of the fund, strategy and action plan)
3. To establish subsidy system
4. To draft the appropriate bill and make it legitimate.

## Appendix N1

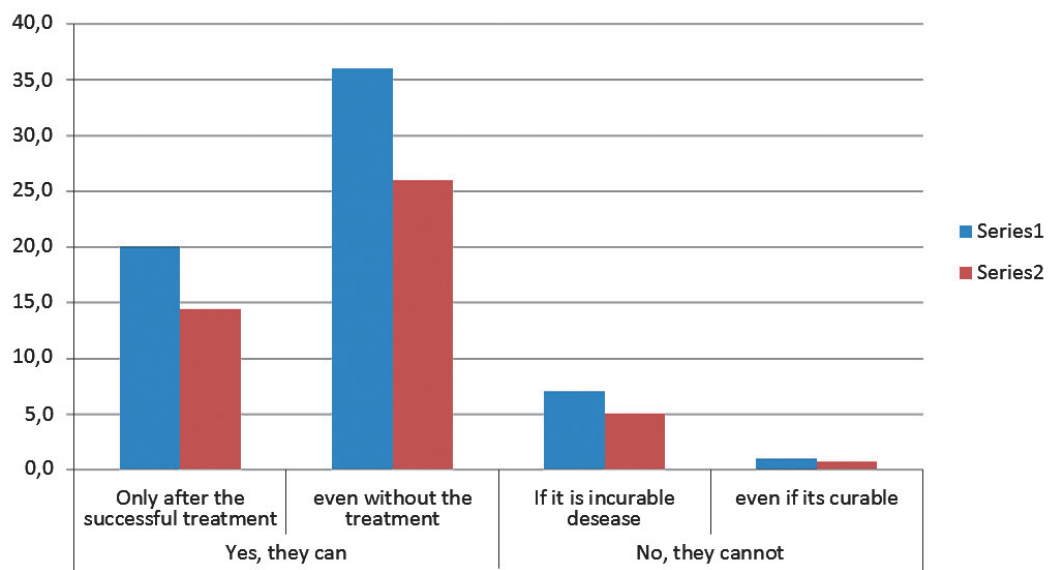
#	Organizations	Number of the people with disabilities employed	Number of organizations
1	Ministry of Economy and Sustainable Development of Georgia	-	-
2	Ministry of Energy of Georgia	0	2
3	Ministry of Regional Development and Infrastructure of Georgia	2	11
4	Ministry of Finance of Georgia	20	1
5	Ministry of Education and Science of Georgia	2	7
6	Ministry of Sport and Youth Affairs of Georgia	3	8
7	Ministry of Environment and Natural Resources Protection of Georgia	0	6
8	Ministry of Culture and Monument Protection of Georgia	7	58
9	Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia	0	1
10	The Administration of the President of Georgia	0	1
11	Ministry of Finance and Economy of the Autonomous Republic of Adjara	0	1
12	Bank Republic	1	1
13	BasisBank	0	1
14	The Institute for Development of Freedom of Information	0	1
15	Civic Development Institute	0	1
16	Institute of Democracy (Ajara)	0	1
17	Civil Development Agency	0	1
18	Georgian Foundation for Strategic and International Studies (GFSIS)	0	1
19	Expert Club	0	1
20	Eurasian Institute	0	1
21	Inclusive Tourism <a href="http://www.parsa.ge/geo/">http://www.parsa.ge/geo/</a>	4	1
22	Kaspi Municipality	0	1
23	Gori Municipality	4	1
24	Aspindza Municipality	0	1
	Total	43	109.00

Number of the people with disabilities employed for one organization	0.39
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The number of recipients of the letters	100.00
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The number of the organizations who sent us response letters	43.00
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## Appendix N2



	Total	72.0
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### 1.0 What particular sorts of illnesses, conditions or disabilities do you think the term 'people with disabilities' refer to:

	Sorts of illnesses, conditions or disabilities	The votes received	%
	Physical impairment	63.0	87.5
	Sensory impairment (e.g. Deaf, dumb, blind)	62.0	86.1
	Chronic Diseases	6.0	8.3
	HIV/AIDS	4.0	5.6
	Mental health difficulty (mental illness –depression, schizophrenia, anorexia)	27.0	37.5
	. Intellectual disability (e.g. Down Syndrome, cognitive impairment)	19.0	26.4
	Specific Learning Difficulties	23.0	31.9
	Attention Deficit Disorder	10.0	13.9
			0.0
	Autism	56.0	77.8
	Other, specify		0.0

**2.0 How do you think, do they become totally dependent on others because of disabilities**

		The votes received	%
<b>Yes, they become totally dependent on others</b>	If they are not under the medical treatment	21.0	29.2
	even if they are under the medical treatment	14.0	19.4
<b>No, they do not become totally dependent on others</b>	Even if they are not under the medical treatment	18.0	25.0
	If they are under the medical treatment	21.0	29.2

**3.0 What do you think, are the people with disabilities able to lead a happy and fulfilling life?**

		The votes received	%
<b>Yes, they can</b>	Only after the successful treatment	20.0	14.4
	even without the treatment	36.0	25.9
<b>No, they cannot</b>	If it is incurable disease	7.0	5.0
	even if its curable	1.0	0.7

**4.0 Do you have regular contact with the people with disabilities?**

		The votes received	%
<b>No, I don't want to have any connection with them</b>		1.0	1.4
<b>Sometimes</b>		57.0	79.2
<b>Yes, I have regular contact</b>	Friend	3.0	4.2
	colleague / classmate	1.0	1.4
	Member of family	5.0	6.9

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5.1 **I don't mind working with a person with disability in my company**

	The votes received	%	
Strongly disagree	2.0	2.8	
Disagree	1.0	1.4	
Agree	50.0	69.4	
Strongly agree	12.0	16.7	

5.2 **Workers with a disability should receive the same wage for the same workload as compared with other workers without a disability**

	The votes received	%	
Strongly disagree		<b>0.0</b>	
Disagree	<b>6.0</b>	<b>8.3</b>	
Agree	<b>45.0</b>	<b>62.5</b>	
Strongly agree	<b>14.0</b>	<b>19.4</b>	

5.3 **Person with disability can quickly adapt to the competitive working environment**

	The votes received	%	
Strongly disagree	1.0	1.4	
Disagree	53.0	73.6	
Agree	39.0	54.2	
Strongly agree	2.0	2.8	

6.0 **Do you think that the people without disabilities have more employment opportunities than the people with disabilities?**

	The votes received	%	
Agree	53.0	73.6	
Disagree	11.0	15.3	

7.1 **I don't want the people with disabilities living in my neighborhood**

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	The votes received	%
Strongly disagree	25.0	34.7
Disagree	33.0	45.8
Agree	7.0	9.7
Strongly agree		0.0

**7.2 Persons with a disability should date and marry each other, regardless of whether his/her spouse or partner has a disability or not”**

	The votes received	%
Strongly disagree	2.0	2.8
Disagree	5.0	6.9
Agree	10.0	13.9
Strongly agree	7.0	9.7

**7.3 Most persons with a disability are unpredictable and express impulsive behaviours**

	The votes received	%
Strongly disagree	7.0	9.7
Disagree	28.0	38.9
Agree	29.0	40.3
Strongly agree	1.0	1.4

**7.4 Persons with a disability should be prevented from having children**

	The votes received	%
Strongly disagree	13.0	18.1
Disagree	33.0	45.8
Agree	12.0	16.7
Strongly agree	2.0	2.8
	The votes received	%
Far fewer opportunities	7.0	9.7
Fewer opportunities	28.0	38.9
More or less equal opportunities	25.0	34.7
More opportunities		0.0
I do not know	3.0	4.2

**9.1**

**For students with a disability, integrative schooling is more preferable than special school**

	The votes received	%
Strongly disagree	3.0	4.2
Disagree	22.0	30.6
Agree	29.0	40.3
Strongly agree	8.0	11.1

**9.2**

**Students with a disability should be allowed to attend general public sector secondary schools**

	The votes received	%
Strongly disagree	1.0	1.4
Disagree	5.0	6.9
Agree	37.0	51.4
Strongly agree	10.0	13.9

**9,3**

**Students with a disability are often unmotivated**

	The votes received	%
Strongly disagree	2.0	2.8
Disagree	21.0	29.2
Agree	30.0	41.7
Strongly agree	5.0	6.9

**9,4**

**Person with a disability cannot really benefit from education**

	The votes received	%
Strongly disagree	5.0	6.9
Disagree	28.0	38.9
Agree	20.0	27.8
Strongly agree	1.0	1.4

10,0

**Do you think that the people with disabilities have more or less access to the education than the people without disabilities?**

	The votes received	%
Far fewer opportunities	9.0	12.5
Fewer opportunities	29.0	40.3
More or less equal opportunities	23.0	31.9
More opportunities		0.0
I do not know	2.0	2.8

11,0

**Which of the following sentences describes the most accurately the relationship that you can have with the people with disabilities?**

	The votes received	%
get married him /her	12.0	16.7
Have a close relative with disabilities	29.0	40.3
have a neighbor with disability	41.0	56.9
have a friend with disabilities	53.0	73.6
Have a colleague/employee with disabilities	39.0	54.2
avoid the contact with the people with disabilities	1.0	1.4
Take them all to the facility of the people with disabilities	2.0	2.8
Expel them from Georgia		0.0
I do not know	3.0	4.2

12,0

**Do you think that it is important to provide equal opportunities for persons with disabilities?**

	The votes received	%
Very important	42.0	58.3
Quite important	18.0	25.0
Not so important	2.0	2.8
Not important at all		0.0

<b>12a. Why do you think it is important ?</b>		
	The votes received	%
It is important to ensure fairness	33.0	23.8
help people in their personal development	44.0	31.7
promote social harmony	39.0	28.1
It is important for the image of Georgia	9.0	6.5
Other, specify	2.0	1.4

<b>12b. Why do you think it is not important ?</b>		
	The votes received	%
It is not my business		0.0
It is not related to social harmony	2.0	1.4
It is not related to the image of Georgia	3.0	2.2
I do not believe in the development of equal opportunities	1.0	0.7
Other, specify		0.0

**13.0 How do you think, the people with disabilities should get high or professional education?**

	The votes received	%
High education	44.0	61.1
Professional education	34.0	47.2

**15.0**

<b>Gender:</b>	The votes received	%
Male	36.0	50.0
Female	36.0	50.0

16.0

Age:	The votes received	%
15 – 35	36.0	50.0
35 or more	36.0	50.0

17.0

Period of the residence in Georgia:

	The votes received	%
From _____ Year	2.0	2.8
From birth	64.0	88.9
No answer		0.0

18.0

Education:

	The votes received	%
Primary level		0.0
Secondary	1.0	1.4
High	12.0	16.7
Master	20.0	27.8
PHD	5.0	6.9
Other, specify		0.0

19.0

Economic activity status:

	The votes received	%
Employed	54.0	75.0
Employer	4.0	5.6
Self-employed	6.0	8.3
Student	3.0	4.2
Housewife	1.0	1.4
Pensioner	1.0	1.4
Unemployed	2.0	2.8

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# **Disability discrimination within the employment field in Georgia and the ways of its overcome**

*Annotation*

**Gvantsa Kokoshvili**

*Caucasus University*

*Student of the Master degree of the faculty of International Relations and Public Administration*

**Instructor: Sergi Kapanadze, Ph.D**

Prohibition of discrimination and provision of the equal educational and employment opportunities for the persons with disabilities is one of the EU requirements that Georgia must meet. The aim of the research is to describe ways to eliminate the discrimination of the people with disabilities in the workplaces in Georgia and establish equal employment opportunities for them that will contribute to their full integration in the society and thus raise their self-esteem.

There is described the work environment that exists in Georgia and that neglect disabled person's right to work on an equal basis with others. Today in Georgia the most of the officially registered 114,390 persons with disabilities have no opportunities to be employed. Through the conducted survey, other European countries' experiences of overcoming the barriers that the people with disabilities face in getting jobs and taking place in the society and public information requested from the government, non-government and private organizations about the number of employed people with disabilities in their organization there is a formulated recommendation of the best way or alternative to counter job discrimination against the disabled persons.

## **“The Challenge of Legal Standpoint in Reproductive Healthcare under Georgian Law**

**Tamar Phatsatsia**

*Caucasus University*

*Student of the fourth course of the faculty of Law*

*Instructor : Devi Khvedeliani, Ph.D, Prof.*

The research paper refers to different aspects of reproductive technologies and the compatibility of Georgian legislation with International set of laws regulating different fields in this matter. In particular, it is devoted to signify the flaws of legal regulations of artificial insemination, in-vitro fertilization (IVF) and surrogacy under Georgian law. The rapid development of genetic engineering, assisted reproductive technologies raised probability of resolving infertility problem, one of the crucial issues existing worldwide. On the other hand, this particular progress brought about great public concern regarding law, ethics and morality. Unfortunately, the Georgian legislation faces plethora of flaws that generate practical difficulties. For the effective protection of human rights it is urgent to take direct steps for eliminating such failures of our law system. The amount of childless families in Georgia is approximately 10%, thus the reproductive healthcare practice must be superlative. The work particularly highlights the legal impediments<sup>94</sup> and introduces author's implication for exterminating existing challenging matters. The research is focused on domestic legislation<sup>95</sup> and on international treaties, case law and general practice of different states<sup>96</sup>.

### **Dictionary**

Active donor – a man who supplies reproductive cell (sperm) to be used in an artificial fertilization process.

Artificial Insemination - A procedure in which a fine catheter (tube) is inserted through the cervix into the uterus to directly deposit a sperm sample. The purpose of this relatively simple procedure is to achieve fertilization and pregnancy. Also known as intrauterine insemination (IUI).

Embryo - An organism in the early stages of growth and differentiation, from fertilization to the beginning of the third month of pregnancy (in humans). After that point in time, an embryo is called a fetus.

Gametes – Gametes are reproductive cells (sex cells) that unite during sexual reproduction to form a new cell called a zygote. In humans, male gametes are sperm and female gametes are ova (eggs).

In Vitro Fertilisation - In vitro fertilization (IVF) is a procedure in which eggs (ova) from a woman's ovary are removed. They are fertilized with sperm in a laboratory procedure, and then the fertilized egg (embryo) is returned to the woman's uterus.

Reproductive Cell - The eggs and sperm are the reproductive cells. Each mature reproductive cell is haploid in that it has a single set of 23 chromosomes containing half the usual DNA amount.

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<sup>94</sup> Mamulashvili, B. (2007), Bioethics, Universali Publication, pg. 146.

<sup>95</sup> Civil code of Georgia, Georgian law on health care and The order of ministry of Justice N 18 about the registration rule of civil acts.

<sup>96</sup> <http://oxford-med.ge/treatment.asp?ID=32> Last updated 12.01.2014.

Reproductive rights – series of rights of all couples and individuals to decide freely the number, spacing and timing of their children and to have the information and means to do so. Reproductive rights are considered to be a subset of human rights.

Surrogacy - is the carrying of a pregnancy for intended parents. There are two main types of surrogacy, gestational surrogacy and traditional surrogacy. In gestational surrogacy, the pregnancy results from the transfer of an embryo created by in vitro fertilization (IVF), in a manner so the resulting child is genetically unrelated to the surrogate. Gestational surrogates are also referred to as gestational carriers. In traditional surrogacy, the surrogate is impregnated naturally or artificially, but the resulting child is genetically related to the surrogate.

#### Artificial Insemination, In-Vitro Fertilization, Surrogacy – Imperfection of Georgian Law

The XX century is perceived as a revolutionary period, due to various important changes made in science and technology. Consequently, capacious progress in reproductive healthcare turned out to be an excellent way for fighting against childlessness.<sup>97</sup> Gradually, Georgia's efforts to go along with the global technological transformations were tremendously important in this field.<sup>98</sup> Nevertheless, there are some gaps in regulating legal consequences of artificial insemination, IVF and surrogacy.<sup>99</sup>

Artificial Insemination<sup>100</sup> involves fertilisation of male gamete into women's uterus without sexual intercourse. This method may be homologous<sup>101</sup> (husband's or partner's semen) and heterologous (using donor's sperm). The former raises no moral or legal questions. However the latter process requires a special regulation. The main purposes of using heterologous method are infertility of both male and female.<sup>102</sup>

The extracorporeal, so called In Vitro Fertilisation<sup>103</sup> is widely used nowadays. The process involves merging of reproductive cells (gametes) outside of the body of a female and then implementing the embryo in woman's womb. The first child born using this method at Cambridge University was Lisa Brown in 1978.<sup>104</sup> This method is used when medical treatment or surgical processes are ineffective.<sup>105</sup>

Surrogacy is an important focus while discussing aforementioned topic.<sup>106</sup> Surrogate mother is a woman who bears a child on behalf of a couple unable to have a child, either by artificial insemination from the male or implementation of an embryo from the female.

This method might also be applied when there is a risk of transmitting genetic diseases.<sup>107</sup>

There are two types of surrogacy: traditional and gestational.<sup>108</sup> During the latter process donor's

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97 <http://www.medicalnewstoday.com/articles/217986.php> Last updated 3.03.2013.

98 <http://oxford-med.ge/treatment.asp?ID=32> Last updated 16.11.2013.

99 [http://www.moh.gov.ge/index.php?lang\\_id=&sec\\_id=258](http://www.moh.gov.ge/index.php?lang_id=&sec_id=258) Last updated 20.01.2014

100 Foote, R. H. (2002), *The History of Artificial Insemination*, American Society of Reproductive Science, Cornell University, New York, pg.4.

101 Field, M. (1990), *Surrogate Motherhood*, Harvard University Press, Expanded Edition, pg.5.

102 [http://www.ginsc.net/main.php?opinion=view\\_article&mode=0&article=74538&lang=9](http://www.ginsc.net/main.php?opinion=view_article&mode=0&article=74538&lang=9) Last updated 14. 02. 2014.

103 Khutsishvili, T. (2011), *Test Tube Babies*, Ilia State University, materials from First Conference, pg. 21.

104 [http://www.ginsc.net/main.php?opinion=view\\_article&mode=0&article=74538&lang=9](http://www.ginsc.net/main.php?opinion=view_article&mode=0&article=74538&lang=9) Last updated 7.11.2013.

105 Tsagareishvili, G. (2011), *The method of In Vitro Fertilization during infertility treatment*, Universali Publication, pg. 7.

106 Калина, Е.Ф. (1999), *Программа оптимизаций экстракорпорального оплодотворения и переноса эмбрионов в полость матки (клинические и эмбриологические аспекты)*, Автореф. дисю канд. мед. наук.

107 Khutsaidze, N. (2011), *Infertility and artificial insemination*, Journal "Family Doctor" #18, pg. 26-27.

108 Emerson, G. (2002), *Surrogacy: Born For another*, Australia, Queensland Parliamentary library, pg. 4.

gametes can be employed too.<sup>109</sup> Consequently, Georgian law on Health care adopted in 1997 permits IVF<sup>110</sup>, artificial insemination, surrogacy and donation of reproductive cells.

Feasible key for legal imperfections, covering European values and guidelines

I. Georgian law on Health Care<sup>111</sup> considers spouses to be the parties to the IVF. However, the term couple is also given in this matter. The Georgian Civil code<sup>112</sup> marks off the birth of a child during marriage and birth out of wedlock. Therefore, parents without conjugal relationship are approved to be parties of IVF, according to the civil code. Consequently, the amendment<sup>113</sup> should precisely cite that not married couples as well can exercise their right of applying to In Vitro Fertilisation. The formulation should be following: the parties to IVF can be: 1. spouses; 2. Couples out of wedlock (written consent agreement is necessary). We believe unmarried couples desiring to have a child should have the right to use different methods of reproductive technologies liberally.

II. Another very problematic issue refers to the registration process of birth of children using IVF method. This matter is regulated by the registration rule of civil acts.<sup>114</sup> There is conflict between the anonymity of donors and rules of procedure. For the registration of a child born using IVF, filing certified copy of an agreement is mandatory. (One of the parties of contract are donors and in this case their privacy rights are violated, as an agreement becomes public during registration.)<sup>115</sup>

III. The law on the health care does not set forth minimum medical standards that have obligatory character for surrogate mothers. The 15<sup>th</sup> principle of Council of Europe<sup>116</sup> states that doctors have no right of using reproductive technologies if: a) she gains any financial benefit from the agreement; b) if the consensus was made under duress; c) if a surrogate mother lacks the ability to retain the child after birth.<sup>117</sup> In this regard Georgian legislation is absolutely incompatible with European standards. Unfortunately, the legislation is silent about the types of surrogacy, which are traditional, gestational, commercial or altruistic. Consequently, all four methods are legal nowadays in Georgia. The law does not prohibit surrogacy that has a commercial character, which as a result works against the principles of the Council of Europe.<sup>118</sup> Thus, it is required to outline the legislative level, of the surrogacy that is legally recognized.

IV. A very comprehensive concern that is covered in the research paper is the issue of embryos.<sup>119</sup> Georgian law on health care articulates nothing about conservation of embryos resulted in the issue

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109 Chkhikvadze, L. (2010), Artificial insemination – a solution to the problem of infertility, Journal “Family Doctor” N8, pg. 21-22.

110 The order of ministry of Justice N 18 about the registration rule of civil acts (31 January, 2012), Art. 143

111 order of ministry of Justice N 18 about the registration rule of civil acts (31 January, 2012), Art.141

112 Civil code of Georgia (24 December, 2013), Articles 1189 and 1190

113 Georgian law on health care (13 December, 2013), Article 143.

114 Georgian law on health care (13 December, 2013), Article 19.

115 Kocashvili, M. (2009), Parenthood only for nine months, Journal “Liberali”, pg. 52-53.

116 Council of Europe, (1989), Ad Hoc Committee of Experts on Bioethics, Report on Human Artificial Procreation, Strasbourg: 1989 <http://www1.umn.edu/humanrts/instree/artificialprocreation.html>.

117 Council Of Europe, (2006), Report on Principles Concerning the Establishment and Legal Consequences of Parent Age – The White Paper, CJ-FA Secretariat, Strasbourg, pg. 8.

118 Gelashvili, I. (2011), Legal and ethical problems of surrogacy, Tbilisi State University Law faculty Journal #1, pg. 92.

119 Bergh, C. (2003), Single Embryo Transfer and Patient Counseling; risks associated with multiple births. ESHRE Am: Madrid (Spain), pg. 47

of the inheritance rights of children born after the death of their antecedent.<sup>120</sup> The Civil Code recognizes the right of inheritance of the fetus but its implementation is related to fact of the birth.<sup>121</sup> This applies to children who were born after the death of his predecessor, not later than ten months. Conservation methods allow the possibility that the child was born a few years after the death of the ancestor. At the same time, our law does not provide exact time limit for the conservation and couples can define it themselves.<sup>122</sup> It is important to clarify whether or not the “frozen embryo” shall be considered as a legal successor, which will be born after ten-month expiration. In this case, we believe that the law can impose maximum term of conservation and also change the ten-month period in Civil Code of Georgia. In both cases, the terms shall be defined reasonably. All of this will enable us to control and assure the maximum period of a “frozen embryo” having the right to heir.<sup>123</sup>

The “fate” of the embryo is another essential issue that remains outside of the attention of a legislator. Georgian civil law protects the rights of the fetus, which is guaranteed by the right of inheritance and bequests. However, there is not enough regulation for number of questions that are related to the future utilization of the embryos. For instance, conducting biological research on embryos is not prohibited. The embryo itself is of a particular value and represents the special category. It deserves the protection, whether it is located in the mother’s body or in a test tube. There are numerous of cases about the destruction of “extra” embryos. In fact, we can consider the German embryo protection act rule, which sets a maximum amount of embryos that will be transferred to the woman’s womb (Not more than three). We believe that this type of reservation will facilitate resolving important issue of morality, regarding destruction of “extra embryos”.<sup>124</sup>

V. The donation of Reproductive cells is an essential subject to deem as it might be a major problem in the future. Donation of gametes during every year exceeds one hundred by active donor. In this case, the probability of accidental incest henceforward develops in the society. Our legislation is silent about this substance. According to international practice, medical institutions determine the limit of donation. International practice favors maximum limit for the preliminary determination (supervised by the authorized state bodies or specially created organizations). It is important to control that the limit was not too low in order not to prevent the donor’s interest and negatively affect the number of applicants waiting for the donation. On the international level there is a technique found for resolving the problem. There is a special formula that limits receiving donation of reproductive cells for families. (Envisaged criteria are: a) population size, migration level and the settlement rate). Under this formula In Belgium only six families can use gametes of the same donor, in Germany – 15 families, France – six families, U.K – ten families, Switzerland – 10 families Etc. In Georgian case we think best option would be setting a maximum of limit considering this formula, which tends to be an effective way for reconciling a grave threat to society – incest.<sup>125</sup> Aforementioned matters are extremely essential and require feasible steps for change. Unfortunately,

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120 Stone, O. (1973), *English Law in relation to A.I.D and Embryo Transfer*, A Ciba Foundation Symposium, Associated Scientific Publishers, Amsterdam, New York, London, pg. 92.

121 Gelashvili, I. (2012), *The legal status of the fetus*, Meridiani Publication, pg. 63.

122 Georgian law on health care (13 December, 2013), Art. 144.

123 Civil code of Georgia (24 December, 2013), Article 11.

124 Assisted Reproduction Technology in Europe, (2002), results generated from European registers by ESHRE, Hum. Report, pg. 12.

125 Mamulashvili, B. (2007), *Bioethics*, Universali Publication, pg. 152.

there is no Georgian case law about reproductive

technologies; however, there are important cases that could be used as guidelines, while regulating above-mentioned aspects.<sup>126</sup>

## Conclusion

One of the spectacular breakthroughs in science in the recent years is its exceptional intrusion into the nature's closely shielded secrets. The unprecedented and rapid advances in medical sciences have revolutionized modern medicine and surgery in a number of ways. These advances like genetic engineering, assisted reproductive technologies, human cloning etc. have opened up the unimagined dimensions in the practical application of biomedical technologies. They promise indisputable benefits to mankind. At the same time, they raise many questions of law and ethics stimulating public interest and concern. Artificial insemination, test-tube fertilization, frozen storage of embryos, reproductive donation and surrogate parenting for many people, these new and often controversial procedures of artificial reproduction hold out a last hope for starting a family.

The research paper is dedicated to the legal regulation of artificial insemination in Georgia. The issue is highly problematic and urgent because our country's laws do not regulate a number of issues, which create problems in practice. It is necessary to fill the legislation in order for the medical achievement to become implementable and to protect civil rights and interests. Artificial insemination is one of the successful methods to fight with childlessness. Therefore, it is necessary to improve the law and medical service. The work particularly highlights the topic of Surrogacy, which is one of the latest achievements of the medical sphere. In this regard Georgian legislation is more incomplete. This work aims at introducing the reader to the legal basis of Artificial Insemination, to the gaps of Georgian legislation and the author's view about finding the ways for solving the issue. Artificial insemination is a great achievement and a gift to humankind but at the same time it contains plethora of gaps. The obvious example of the aforementioned statement is a Georgian reality. Many childless couples have opportunities for making their dreams come true, but at the same time our legislation fails to meet contemporary challenges. It should be noted that Georgian law on "Health Care" does not provide in details the rights of couples who can use reproductive technologies. Furthermore there's a shortage of norms, stating about the legal arrangements of its realization. With this comprehensive evaluation, we think that this research paper clearly presents the real problems that may arise in the daily routine. With the analysis we are dealing not with abstract legal categories, but instead with real and legal difficulties. Like other disciplines, law is very dynamic field and it should reflect the complexity of modern scientific development.

Given all this, we hope that Georgian legislation will not lag behind the rapid progress

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126 Junior L. Davis v. Mary Sue Davis - <http://www.pregnantpause.org/court/frozen-o.htm> Last updated 7.12.2013. Circuit Court Of Tennessee, Decided September 21, 1989.

Maureen Kass v. Steven Kass - [http://www.daviddfriedman.com/Academic/Course\\_Pages/21st\\_century\\_issues/21st\\_century\\_law/human\\_rep\\_ro\\_tech\\_law\\_04/Kass.pdf](http://www.daviddfriedman.com/Academic/Course_Pages/21st_century_issues/21st_century_law/human_rep_ro_tech_law_04/Kass.pdf) Last updated 7.12.2013, Court of Appeals of New York, Decided May 7, 1998.

Penelope S. Nachman v. Joseph R. Nachman - <http://caselaw.findlaw.com/ny-supreme-court-appellate-division/1359771.html> Last updated 7.12.2013 Supreme Court, Appellate Division of New York, Decided July 6, 2000.

Evans v. United Kingdom, ECtHR, judgment of 10 April, 2007, №36339/05.

and in the near future authorized entities will eliminate those vulnerabilities present in various legal acts that exist due to objective reality. We have expectancy that this paper will promote and accelerate the process of harmonization of Georgian law with the European rules and values.

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## **“The Challenge of Legal Standpoint in Reproductive Healthcare under Georgian Law**

*Annotation*

**Tamar Phatsatsia**

*Caucasus University*

*Student of the fourth course of the faculty of Law*

*Instructor : Devi Khvedeliani, Ph.D, Prof.*

One of the spectacular breakthroughs in science recently is its impressive intrusion into the nature's closely guarded secrets. The extraordinary and rapid advances in medical sciences have revolutionized modern medicine and surgery in a number of ways. These advances like genetic engineering, assisted reproductive technologies, human cloning etc. have opened up the unimagined dimensions in the practical application of biomedical technologies. They promise indisputable benefits to mankind. At the same time, they raise plethora of questions regarding law and ethics raising public interest and concern. Artificial insemination is a great achievement and a contribution to humanity. It is a triumph of technology, but technology itself is a strange thing. It is a gift given at one point, whilst on the other hand; it might turn as a step backward for the society. The obvious example of it is Georgian reality. Many childless couples have opportunities for making their dreams come true, but at the same time our legislation fails to meet contemporary challenges. Artificial insemination, test-tube fertilization, frozen storage of embryos and surrogate parenting, these new and often controversial procedures of artificial reproduction hold out a last hope for starting a family for many people.

This work is dedicated to the legal regulation of artificial insemination in Georgia. The issue is highly problematic and urgent because our state's laws do not regulate a number of issues, which generate problems in practice. It is necessary to fill the legislation in order for the medical achievement to become faultless and to protect civil rights and interests of individuals. Artificial insemination is one of the successful methods to fight with childlessness. Therefore, it is necessary to improve the law and medical services. The work particularly highlights the topic of Surrogating, which is one of the latest achievements of the medical sphere. In this regard Georgian legislation is more incomplete.

Finally, this work aims at introducing the reader to the legal basis of Artificial Insemination, to the gaps of Georgian legislation and the author's view about finding the ways for the correction. Given all this, we hope that Georgian legislation will not lag behind the rapid progress and in the near future legislator will eliminate those vulnerabilities present in various legal acts that are due to objective reality.

## **The road to Acquis Communautaire: Disadvantages and advantages of approximation of legislation.**

**Narek Abgaryan**

*Russian-Armenian (Slavonic) University*

*Student of the first year of Ph.D of the faculty of International and European Law*

*Instructor: Vladimir Vardanyan, Ph.D*

During the announcement of the Nobel peace prize in 2012, the Nobel Committee recognized the enlargement policy as one of the European Union's main contribution to the advancement of peace and reconciliation, democracy and human rights in Europe<sup>127</sup>. One of the main goals of the European Union is to make the integration process widespread throughout the Europe involving as many different areas of life of a society as possible. The avant-garde vector which leads this integration process is called Copenhagen criteria which consists of different criteria's groups. Another one which can be described as a complementary criteria to the Copenhagen group is the legislation one with which our paper will mainly deal.

According to the abovementioned criteria every country must enact legislation to bring its laws into line with so called the body of European law, built up over the history of the union and known as *acquis communautaire*.

In this paper we will shortly analyze the main advantages and disadvantages that approximation of legislation of a concrete region (Southern Caucasus) and concrete country (Republic of Armenia) with European Union standards can bring. For that purpose we will start our research from the understanding of *Acquis Communautaire* phenomenon which will later be discussed on its controversial sides concerning the approximation of the legislation of the Republic of Armenia and the legislation of the European Union.

The *acquis communautaire* or the Community *acquis* which in European legal literature can be even defined as EU *acquis* is the accumulated legislation, legal acts and court decisions that are forming the body of European Union Law. New members of the European Union are considered to accept all the existing *acquis*, some of which even during transitional period<sup>128</sup>. Coming from the above mentioned it is necessary to understand that first of all *acquis* formulate two different approaches of their understanding. Nowadays *acquis* is represented by the whole system of the legislation of the European Union. On the other hand before the system of three pillars was working *acquis communautaire* was the system of all acts, adopted under the second and the third pillars of the European Union and the Common goals, defined in the Treaties<sup>129</sup>.

The process of legal approximation is always a very difficult complex of different events. Coming straightly to the main theme of our research we need first of all to concretize two somehow controversial but very important issues:

- Though legal approximation is a bilateral process the side that is joining EU always needs to be flexible.

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127 "Copenhagen criteria - the backbone of EU enlargement" Štefan Fule, EU Commissioner for enlargement and Neighborhood policy; report during the Conference "20 years that changed Europe: The Copenhagen criteria and the enlargement of the European Union".

128 "The EU's *Acquis Communautaire*" - Vaughne Miller, 26 april 2011; International Affairs and Defence Section.

129 "Approximation of Ukrainian Law to EU Law" – Irina Kravchuk, Comparative Law Center at the Ministry of Justice of the Ukraine.

- In any situation during the approximation process the first and the main idea for the joining State is to get as much from the process as possible without damaging or minimizing damage to its interests.

There are many different research works dedicated to the approximation of legislation of a concrete country to the EU standards. The above mentioned issue during the last 15-20 years was remaining as one of the main objectives for the countries that were facing difficulties with the integration. After deep investigation of Copenhagen Criteria one can say that the main criteria for joining the European Union is the Economic one. But also a lot of problem may arise when we start to speak about national legislation of the candidate country or the country which is on its basic steps of joining the European Union.

South Caucasus is a region with very complicated relationships between countries that form it. From one point of view there are three different countries with different types of economics, different religion or faith and even different political regime. From another perspective all the countries in the region including Armenia, Azerbaijan and Georgia are very similar with their cultural traditions, Soviet past and mentality. Developing the last point of view some authors are trying to concentrate not only on the problems that every country of the region will face during the approximation process but on the main idea of integration of the whole region of south caucasus<sup>130131</sup>. As the famous proverb says every medal has two sides. The same situation is in the case of approximation of legislations.

Regarding the above mentioned we tried to investigate the problem from two different points of view. First of all we selected the main disadvantages that the legislation approximation process will be followed by. On the other hand some major advantages also will be presented as a basis for supporting possible future approximation.

1. First of all approximation considers implementation of European standards and speaking about legal approximation also standards in that field. These standards has been developed by the European Union member states without any kind of support or participation from the South Caucasus states. It is somehow strange to start the process of approximation with the legal norms inside integration organization which developed them without any investment or support from Your country.2. Many scientists that study mentality of inhabitants of the South Caucasus republics will surely underline, that it is rapidly different from the European person's point of view. Some major issues that are somehow becoming widespread and popular in Europe, such as the legalization of soft drugs, the legalization of same-sex marriage are not only not accustomed in the region, but also are going somehow opposite to the understanding of cultural traditions of these states.

The above mentioned criteria describe not only the problems that Armenia is facing itself but also the whole situation that more or less is acceptable to every southern Cucasus state. In addition there are also specific disadvantages that will mostly affect the Republic of Armenia and Armenian legislation.

3. First of all the approximation process may harm the close relationship between the legal system of the Republic of Armenia and some other CIS countries legal systems. After the collapse of the Soviet Union and the establishment of CIS model codes were adopted within the CIS. For example the Civil Code of the Republic of Armenia and also the Civil codes of Republic of Belarus, Kazakhstan, Kyrgyzstan,

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130 "The South Caucasus: a challenge for the EU", Pavel Baev, Bruno Coppieters, Svante E. Cornell, David Darchiashvili, Arman Grigorian, Dov Lynch and others; Chaillot papers December 2003.

131 "Bringing South Caucasus Closer to Europe: Achievements and Challenges in ENP implementation", Laure Delcour and Hubert Duhot. Department of European Interdisciplinary studies, Natolin research Papers, 03.2011.

Moldova, Tajikistan, Russia and Uzbekistan are created on the basis of the CIS model Civil code<sup>132</sup>. On the other hand Georgian and Azerbaijani civil codes even being somehow influenced by the model code were not so much alike.

This model codes from one side tried to make a platform for future cooperation in different spheres of law but from another side brought a new impetus to the separation of some former Soviet republics from others especially in the field of legislation.

Coming back to Armenian example it is necessary to mention that though CIS did not manage to realize its' all plans but a lot of work in harmonizing legislations of former Soviet countries has been done, and one of the achievements was the role of model codes that didn't let the legislation to be separated and helped it to represent every country that adopted model codes as a link of one chain.

4. And finally the last disadvantage has also a financial implication. According to many different researches altogether, the number and volume of European Union standards means significant costs for their implementation<sup>133</sup>. Today's Armenian economy is not ready for significant investments in legislation approximation process. This process will mean a rapid change of acting legal procedures and bills, creation of new ones and increase budget expenses.

Finalizing with the list of the main issues that remain disadvantageous in the context of approximation of legislation we need to examine also the main advantages of the approximation process in relation to the South Caucasus and the Republic of Armenia.

1. The First main advantage is connected with the protection of human rights. The national legislation system of most post-Soviet states struggles from not being as homocentric or person oriented as it is anticipated to be. The approximation may give an opportunity for the country to become a part of European system of the protection of human rights which is definitely being accepted as one of the leading mechanisms for the Human rights protection.

Not the last role in this question has "Charter of Fundamental Rights of the European Union" which was adopted in 2000 by the European Institutions. Another thing is that all the EU countries are signatories and also has ratified the European Convention of Human Rights (the Convention for the Protection of Human Rights and Fundamental Freedoms). One of the nowadays issues that European Union is facing is to join the European Convention of Human Rights as a separate subject of International Law.

2. Secondly – approximation in the sphere of freedom of speech though is considered to be a part of human rights protection but is also very important from the point of view of freedom of press or freedom of media. This is another cornerstone for the future development of the region. In the 21-st century freedom of information is becoming one of the leading indicators, that are helping to understand the level of democracy in the country. As free are the medias as democratic the state is supposed to be. On the other hand information is the cornerstone in forming the intellectual capital of a person, and declaring a freedom of movement of capital the European Union itself should give all the guarantees that this freedom is not subject to doubt.

3. And finally the last main advantage is represented by the institute of Citizenship of the European Union. The approximation of the legislation first of all will give a chance for a person living in the territory

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132 "Проблемы взаимодействия модельного и национального гражданского законодательства стран СНГ", А.А. Богустов.

133 "Approximation of Albanian Legislation with the EU's Acquis: Prospects and Challenges".

<http://eudelegationinalbania.wordpress.com/2014/05/30/approximation-of-albanian-legislation-with-the-eus-acquis-prospects-and-challenges/>

of a country from the Southern Caucasus region to become a bipatriate. This is also increasing the rights and freedoms of a person who is becoming fully a member of the European society and may have all the rights accessible to the every European Union citizen.

Concluding all the written before we should understand that the integration is not a process which may be finished in one or two weeks. It is a long distance marathon, where only a State, which will evenly distribute all the issues and the issue-solving mechanisms during the distance may compete. Despite the progressive character of European Union as one of the leading actors in the field of protection of human rights and other freedoms the approximation should not be radical. From the point of view of Armenia as we think it is not the best solution to cut ties with the CIS countries legal system and radically turn to the European Union. The balancing mechanism should be developed which will help to soften the difficult consequences of gradual rupture of links with one organization and later approximation of legislation with the norms of other one.

### **List of applied literature:**

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2. The EU's Acquis Communautaire" - Vaughne Miller, 26 april 2011; International Affairs and Defence Section.
3. "Approximation of Ukrainian Law to EU Law" – Irina Kravchuk, Comparative Law Center at the Ministry of Justice of the Ukraine.
4. "The South Caucasus: a challenge for the EU", Pavel Baev, Bruno Coppieters, Svante E. Cornell, David Darchiashvili, Arman Grigorian, Dov Lynch and others; Chaillot papers December 2003.
5. "Bringing South Caucasus Closer to Europe: Achievements and Challenges in ENP implementation", Laure Delcour and Hubert Duhot. Department of European Interdisciplinary studies, Natolin research Papers, 03.2011.
6. "Approximation of Albanian Legislation with the EU's Acquis: Prospects and Challenges". <http://eudelegationinalbania.wordpress.com/2014/05/30/approximation-of-albanian-legislation-with-the-eus-acquis-prospects-and-challenges/>
7. "Проблемы взаимодействия модельного и национального гражданского законодательства стран СНГ", А.А. Богустов.

# **The road to Acquis Communautaire: Disadvantages and advantages of approximation of legislation.**

*Annotation*

**Narek Abgaryan**

*Russian-Armenian (Slavonic) University*

*Student of the first year of Ph.D of the faculty of International and European Law*

*Instructor: Vladimir Vardanyan, Ph.D*

Though the recent changes in the development course of the Republic of Armenia brought different consequences that Armenia will face in the sphere of European Integration the issue of European integration is still remaining open.

The research paper will be dedicated to controversial question of “Is the approximation process with EU legislation only advantageous or not from the Armenian and Georgian point of view.

There are different *acquis* (chapters) that are forming the *acquis communautaire* or the whole system of EU legislation. The work will describe the main legal collisions that can arise during the approximation process of Armenian and Georgian legislation and European legislation on the one hand and different advantages that harmonization process can bring into national legal systems of the abovementioned south Caucasus states on the other hand.

The paper will be divided into different sections that will consider the main positive and negative aspects of harmonization in that concrete field. Every part of the paper will give a short analysis of main legal issues in the mentioned field and the ways of approximation with the EU legislation without making harm to the interests of a State.

# **Georgian wine export to the European market and its development prospects.**

**Mariam Metreveli**

*Caucasus University*

*Student of the third course of the faculty of Business Administration*

## **Development of Georgian wine**

In Kvemo Kartli was discovered during archaeological excavations in the territory in which the grape seeds belong to the Neolithic period dates back to the second millennium BC In 7-6. Dated back five millennia BC Dycha gudzuba it showed that the stones are found in both the eastern and western Georgia during the early Neolithic culture of the vine and he knew quite a big role in the economic life of the local population. Also found a wild vine grape vine (Uzurvazi) direct ancestor of today's Red Book is included. This is an indication that in addition to the wine culture wine growing here in all of its stages.

When Russian federation embargo on Georgian wine , entrepreneurs have begun to research for new markets and new connections. The task of vital importance to the West. However, it was rather difficult - yet unknown to Europeans and Americans interested in not only the quality of the wine road runs. It needs to win medals in international competitions , and taking the necessary means to obtain the recognition of the right marketing strategies and advertising campaigns. Given the recent success of Georgian wine abroad at exhibitions or competitions , we can say that progress in this regard is clear. Export growth in the wine industry development trends. However, when the experts talk about Georgian wines are always very difficult to say that the development process is long and requires resources that are not small. So think everything is being done to increase the success rate? What factors can be taken into account when these areas are built on the strategic plan , and generally depends on the further development of the wine industry? Identify several strategic direction: First of all firms to produce world-class wines for export , especially if the calculation is done at the same time any rejecting. The second point is to take care of the brand. Also of great importance is the use of the latest technology and professional workers will be recruited. The system should be introduced which will develop a more effective co-operation of interconnected companies and clusters. As for the government development of most of the work falls on him. Business Development to ensure a stable macroeconomic environment needed to adopt laws to encourage scientific work to ensure quality control and safety protection of Georgian wine names, industrial development strategy which is aimed at attracting investment, business planning, the monitoring of existing technologies and vineyards viticulture identification register, mapping it to the list of recommendations, which the government will have to fulfill in order to take their place alongside the international market for Georgian wine. In general, the following strategy will contribute to the development of the winemaking industry and make it competitive in the international market in a short period of time but not for long. In January 2014 February Georgian wine export volume has increased by almost 296 times in the same period of the previous year. In January , 50 in February, up from Georgia 's wine-producing company in 18 countries exported 990 397 bottles. Georgian wine export markets include Russia, Ukraine, Kazakhstan, Poland and Latvia in the top five in 68 of the total volume of exports to Russia is leading in January , 865 in February, 545 bottles exported. "Georgian wine export figures indicate that international markets are increasingly growing interest in wine. Along with the positive dynamics of growth of export markets is very important for both new and existing markets to increase exports. Active work in this direction, with a wine -producing companies",- Denoted the Chairman of the National Wine Party, Levan Davitashvili.

### **Vines spread**

Several independent center for the development of viticulture was in Central Asia, West Asia, China and others. Currently distributed in over 6000 grape varieties. From these vines cultural origins and development of the wine industry and is one of the important centers of Georgia. Which was formed more than 500 varieties of grape varieties in the world with a range of Georgia has more than 200 varieties of Azerbaijan , Armenia has more than 90 species breed in the first 200 times higher than in Central Asia, yet more than 150 varieties of Dagestan. The former Soviet Union until 1180 , it was sort of out of the 500 for more than 42 varieties of Georgian 's predominance Ketskhoveli , etc. Ivan Djavakhishvili his excellent book, Volume II of History of Economic our viticulture in detail , including a review of 413 vines and old varieties have spent . According to the Georgia Environmental history is divided into two markedly different and each of them growing in some parts of the east and west sides of the party: Kartli- Kakheti, eastern Georgia and South Ossetia BOLNISI inhabitants of West Georgia-Imereti, Racha- Lechxumi, Guria , Adjara and Samegrelo.

### **Forgotten Georgian grape variety - Across**

We would like to say that it has been said many local grape varieties and the multiplicity and diversity of points of view are clearly distinguished in Georgia. However, there are many reasons corners of our country, mainly from local grape varieties can be found , and this fact has even been mentioned as a reason. One or two days a year with our Georgian grape varieties are neither created nor gone away. These processes and especially Georgian vine species were developing for centuries. As for the disappearance or reduction of the grape varieties , the main issue appears to two reason. Far from invading neighboring Georgia and fought the enemy with extreme cruelty in the gene and the vine. Hundreds of villages are often given a clean cut if we consider that some of the grape vineyards in the village was the only one then it is very likely that some of the common Georgian grape variety it has to be. The second reason for which the range is reduced and almost disappeared from the vines of the rich history of Georgian wine to the Russian market has faced in the recent past. It can be said that detrimentally affected the Georgian winemaking and grape directions. There are two varieties of this region , who remained more than 100 local grape varieties. If the local toponym addressing many of whom are named in the list of the world and the place of the vine which might be an indication that this region was strongly rooted in the culture of the vine. Perhaps the shameful fact that even such a unique culture of wine -growing region of only one particular place or micro-zone – Athena. The region is indeed the potential to be not one, but dozens of viticulture, but one thing to bear in mind and the fact that some of the micro- climatic conditions in the soil while the high quality of the grape vine is growing every variety of circumstances, but it allows you to equally. According to the high places which are in the harsh conditions encountered in the vine were adapted one such vine variety, Which is well adapted to the height of the winter freezing is less known Georgian wine grape variety - a cross which is sadly almost extinct, except the fact that it's sort of a farmer houses can be found in plants in the form of units. First of all, it should be noted that the cross functionally female flowers have a vine variety. That is simple to say the female of the species and the number of varieties of the grape varieties are very numerous assortment of more than 50. Female vine varieties , without any other grape variety, characterized by a very small harvest and the grape harvest could not even give us. Therefore, a female vineyard vines planted between plant species. Cross the clusters are small cone –shaped. And sparsely branched clusters are often found in. Sand grains are round and nice coloring. The berries are juicy thick his skin is mild grain in addition flavor is very distinctive. The cross direction is clearly wine. Although the

berries are quite tasty, but it does not meet any record of table grapes. The variety is characterized by average or low productivity. The average harvest goes up per ton. Under normal circumstances, a cross breed collects 18 - 20 the sugar content.

Vine fungal diseases , especially powdery mildew is quite sensitive and require special attention in this regard. This variety of vine leaves , and often can be much greater than the average cut. Adult leaf pubescence on the lower side is very weak. Cross wines are quite good wine is a wine with a delightful golden-amber- coloured . It gently pronounced aroma of wine is selected from the skins, fermentation time, and for a time the old method. Motherless is less meaningful to cross the wine comes out and say it would be difficult to design a low cross was installed using the local wine but one of the most promising results, For example, the wine fermented with the skins, and the skins, fermentation Aging , including up to one month. In conclusion, we say that the ancient Georgian grape variety - which is definitely worth paying attention to cross the species. Region , especially in the mountainous areas of the wine grape variety from the bottom of a problem. As it turns out the old wine culture documentary sources other than the lowland foothill areas , we observed. That is an indication that the vines must be found in an assortment of varieties as well as the height of the cold in winter easily.

### **Use the vine**

XX century were created by the recent difficult economic situation in the country as reflected in the wine. At present, the situation is encouraging in the sense that there are a lot of Georgian wine company producing high quality table wine. However, there is still much to be done in order to become popular grape vine varieties unknown to most of whom are unaware of Georgia and Europe. It is also necessary for the world to learn about the unique Georgian wine-making methods.

### **Contemporary Issues**

Viticulture in the past contributed to the advancement of the less work processes. Different types of pests and diseases of the vine does not require grafting. Even more challenging tasks set before the modern viticulture. We are serious pests that cause damage to grape vines and fruit worm piloksera remarkable marble ghracha spidery from the mites and diseases - mildew of grape powdery mildew and bacterial wilt. But he soon lost the ashes of the epidemic since it began in 1850 through the sulfur. At the beginning of XX century , and fungal diseases phylloxera vineyards in the area drastically reduced as a result of action. phylloxeras root crop that grows on a vine , it is necessary to protect himself from a grape vine grafting phylloxera-resistant American species. The leaf buds are forming in the case of preparations have been successfully used for spraying. The buds should be spraying ago. When you first bring up the vine buds and a second time when it reaches its peak reproduce phylloxeras. There are also economic problems. Georgia 's economic problems because the farmer is not able to export its products.

### **Saving way to collection**

Vine collection and decided to discuss ways to save the agro -profit legal entity instance accompany their child 's vine and fruit planting material production Center. It is located in the village of Mtskheta, which includes the operas of 54 ha of vines and fruit trees propagation. National Center for specialized advanced technologies for the basic mission of modern Georgia Nursery. The latter staffed

by highly qualified scientific and technical personnel, National Center for Agricultural production for local and foreign consultants.

With the help of systematic conservation of local varieties from the breeding of new varieties and clones are selected rootstock and scion. As well as mother, the latest technology for the realization of cultivation and care of plants phytosanitary. Seedling grape and fruit production facilities equipped with modern technologies and equipment necessary for grafting halls automated mode Refrigerators size fumigation, greenhouses. Inoculation of plants with thermal processing equipment for disinfection. Soil processing plant green operations and integrated defense units and satellite weather station. Genopodis the most important part of the collection of the National Center of Georgian plantation containing 430 indigenous grape. They are from overseas as well as in different parts of Moldova and Ukraine. According to the 2012 harvest wines made by more than 100 species. Replicate Georgian wine and table varieties and clones scion mother Range: Aladasturi, Aleksandrouli, Budushuri, Goruli green, Danakharuli, Tavkveri, Kapistoni white wine, Krakhuna, Kundza, Mekhuri green, Mujuretuli, Mtsviani kakhuri, Budeshurisebri, Satsuravi, Table wine Goruli, Usakhelouri, Thitha, Kisi, Shavkapito, Chinese, Chitistvala, Chkhaveri, Tsitska, Tsolikauri, Dzelshavi, Red Budeshuri, Tsulukidzis Tetra, Khikhvi. Baseline mother vine planting and grafting material produced from varieties of grape-growing regions will be a prerequisite for the development of new types of nurseries. Also product high quality and competitive agriculture.

### **Conclusion**

Georgia is the cradle of the vine. Since ancient times, our ancestors engaged in viticulture and still preserve much of the cost of the unique vine. Therefore, they need to care for our descendants to share our treasures. While these types of institutions will contribute to the preservation of the traditional Georgian grape varieties and to introduce them to the people living in Georgia as well. In the last century there was a famous Georgian wines export to Russia, and other countries. But now the situation is changing for the better. Georgian wine is known to Europe. Georgian traditional method pitcher of wine has always fascinated tourists. So our wines population promotes to increase tourism and economic in Georgia.

### **List of the applied literature:**

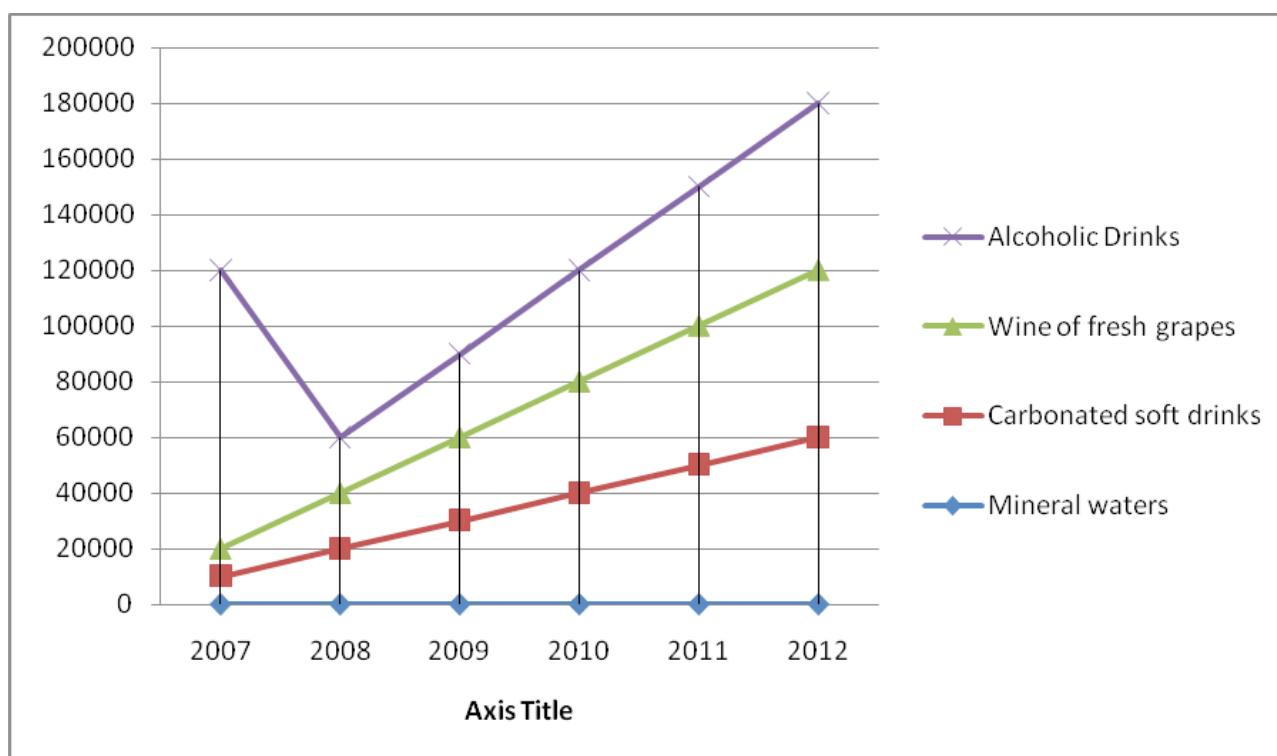
1. Ekhvaia p. 2012 Georgian autochthonous populations of wild grape, study vine varieties and comparative morphometric and molecular systematic. Ketskhoveli N. Ramishvili- has uploaded d ampelografia of the "Georgian SSR Academy of Science", Tbilisi, 2012, p552.
2. Ramishvili- R. 1988 History of Georgian Wine and Vine spent Tbilisi State University of Economic History, 1934, vol II, Tbilisi.
3. vinoge.com
4. <https://sites.google.com/a/iliauni.edu.ge/11kartuli-ghvino-da-misi-rol-ekonomikashi/kartuli-ghvin-is-ganvi>

Example for filling the schedule:

### Budget of the program outcomes and indicators

#### Priority of Agriculture

Software code	Name	2014 year	BUDGET ALLOCA-TION	Own funds	2015 year	2016 year	2017 year
37 01	Rural Development Program	255,810.0	255,810.0	0.0	265,000.0	283,000.0	301,000.0
37 02	Plant Protection and Food Safety Epidemic SAFETY	27,282.0	25,182.0	2,100.0	29,300.0	30,300.0	31,500.0
37 03	The development of viticulture and winemaking	9,328.0	9,008.0	320.0	18,500.0	19,600.0	20,700.0
Total Priority Funding		292,420.0	290,000.0	2,420.0	312,800.0	332,900.0	353,200.0



## **Georgian wine export to the European market and its development prospects.**

*Annotation*

**Mariam Metreveli**

*Caucasus University*

*Student of the third course of the faculty of Business Administration*

The goal of the project is to export a unique species, as well as the development of viticulture and winemaking.

There are shown some signs to improve the quality of Georgian wine and in general to develop city culture. There is described short-term and long-term action plan, also there are given how to recover forgotten Georgian grape varieties. Our aim is to discover the forgotten zone in different species, strong Vineyard cultivation(Focus-Georgian species diversity).

To get better Georgian wine we must circuit Georgian students, who we will train and running programs, create strong ties of winemakers and winer-makers, create and develop national wine marketing and sales. To achieve the purpose we must Find sources of founding for implementation of the plan and determined the estimation of project cost.

# Implementation of the System of Compulsory Medical Insurance in RA: Problems and Prospects

**Lilit Okhikyan**

*Russian-Armenian (Slavonic) University*

*Master of the second course of the faculty of International Economics*

*Instructor: Mariam Voskanyan, Ph.D*

Despite incredible improvements in health since 1920 and modern medical technology in 21<sup>st</sup> century millions die from easily preventable diseases, millions of sick people who cannot be cured, because they have no sources for that or do not do general medical examination. A lot of people lack access to health care systems.

56 million people died worldwide in 2012<sup>134</sup>, 36 million deaths are caused by non communicable diseases, such as cardiovascular disease (17 million deaths), cancer (7.6 million deaths), chronic lung diseases (4.2 million deaths) and diabetes (1.3 million deaths). This is almost two-thirds of the total estimated number of deaths worldwide. A quarter of these take place before the age of 60. Over 7.5 million children under the age of 5 die from malnutrition and mostly preventable diseases each year. Tuberculosis kills 1.3 million people each year<sup>135</sup> with 9.4 million new cases a year. 1.6 million people still die from pneumococcal diseases every year (more than a half of the victims are children). Malaria causes some 225 million acute illnesses and over 780,000 deaths annually.<sup>136</sup>

Urgency of the mentioned problem cannot be refuted.

Quantity of deaths in 2013 in Armenia<sup>137</sup> increased by 13% as compared with the year 2000, 65% of them died from easily preventable diseases. Life expectancy at birth in Armenia for women was 75 years in 2012, one year higher than in 2000, and for men was 67 years, one year lower than in 2000 according to the World Health Organization.

According to the World Bank assessment of economies of 192 countries of economic growth depends on human capital in amount of 64%, natural capital in amount of 20%, physical capital in amount of 16%. What stressed the importance of having healthy and productive population, especially for such low-middle income country like Armenia with low natural capital, human capital is fundamental factor for the progressive economic development. Health care and education are the most important components influencing human capital.

This article will focus on health care in Armenia, on problems and prospects of implementation of the system of compulsory medical insurance in Armenia.

The main thesis is to show the optimal way to implement the compulsory medical insurance in such lower-middle-income economy as Armenia is efficient.

According to the Constitution of the Republic of Armenia it is a sovereign, democratic, social state governed by rule of law.<sup>138</sup> The main mission of the social state is the achievement of such public progress

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134 <http://www.who.int> - World Health Organization

135 "Tuberculosis" WHO Global Tuberculosis Report 2013

136 <http://www.globalissues.org>

137 <http://armstat.am> - National Statistical Service of RA

138 The Republic of Armenia is a sovereign, democratic, social state governed by rule of law.

which is based on the principles of social equality consolidated by the right, general solidarity and the cross liability. The social state is urged to help the weak part of its population, to influence distribution of economic goods proceeding from concept of justice to provide everyone with worthy existence.

Human capital is a fundamental factor for the progressive economic development of Armenia which can be increased by investing in health care, education and job training.

Quantity of deaths in 2013 in Armenia<sup>139</sup> increased by 13% as compared with the year 2000, 65% of them died from easily preventable diseases which show the weakness of our health sector. The leading causes of deaths are listed below (Table 1).

**Table1. The leading causes of death in Armenia in 2013**

	January-December 2013 (pers.)
Number of deaths	27 165
including deaths of:	
Cardiovascular Disease	12 929
Accidents, unintentional Poisoning and Injuries	
1 296	
Malignancies	5 599
Respiratory System Diseases	1 616
Diseases of the Digestive System	1 641
Infectious and Parasitic Disease Deaths	247
other Diseases	3 651

Registered health care visits increased by 34% in 2013 compared with the year 2012. 66% of them are children to 14 years.

Main cases:

- Influenza 93% (63% are 0-14 years old children)
- Gastrointestinal diseases 5% (4% of 0-14 years old)
- Syphilis is about 1% of adults

Here are negative trends of socio-demographic and health indicators in Armenia in terms of socio-political change: birth rate and natural growth rate decline [Appendix 1], life expectancy at birth remained the same (71 years, both sexes) compared with the year 2000, steady increase in the overall mortality rate due to increase of socially significant causes of death, in particular, the number of cardiovascular diseases, malignancies, diabetes, respiratory system diseases, diseases of the digestive system, etc., increased the number of the registered diseases with the diagnosis set for the first time (increased by 113% in 2012 since 2001 per 100,000 population, particularly the number of sick people with all the types of diseases increased, [Appendix 2]).

Steps of development of health system in Armenian

- the collapse of the Soviet health system, providing the population with affordable and free medical care;
- The rapid commercialization of the health care system in the RA market conditions and growing number of private clinics, which increase the share of private funding in the health care system

<sup>139</sup> <http://armstat.am> - National Statistical Service of RA

(Number of medical institutions rendering out-patient and dispensary aid to population increased by 12% comparing to 2001, Number of antenatal clinics, children's polyclinics and number of institutions with antenatal clinics and children's polyclinics increased by 7% comparing to 1997 and decreased by 4% comparing to 2001, number of hospitals decreased by 29% comparing to 1997, [Appendix 3])

- Provision of health services on a fee basis by many government clinics.
- Inequalities in access to health services;
- Change true stratification of the population, based on today is not the social background, and income level;

Reasons for not receiving the necessary treatment in Armenia

- Unavailability;
- Lack of information;
- Mistrust in relation to providers of medical services;
- Mentality, "A peasant needs thunder to cross himself and wonder."

The process of healthcare system reforming in the newly formed states, including Republic of Armenia, began after collapse of the USSR. The most important document and basis for changes was "The development and reform Program of health care in RA" (approved by the Government in 1997), the main directions of which became: a) implementation of compulsory medical insurance of citizens of the republic; b) development of primary medico-public assistance; c) improvement of quality of the provided medical services; d) development of various patterns of ownership in health sector.

In 1997-1999 attempts were made to implement the compulsory medical insurance of citizens, but they did not find sufficient support in the Parliament due to concerns that the government does not have sufficient funds to maintain health insurance.

Instead, there were made some reforms, caused mainly by changes in governance mechanisms and sector financing: decentralization of management, unitsipalizatsiya (and further privatization) the main part of medical institutions, the introduction of multi-channel and multi-structured financial system management, implementation of targeted programs for financing. Some structural changes were also carried out: the creation of regional health authorities - marz, a number of changes in medical education (introduction of a new system of postgraduate training of health care managers, physicians and nurses).

Eventually the following reforms were carried out

- Financing of maternal healthcare services, of treatment and prevention of diseases for children up to 7 years, of the treatment of certain diseases (infectious diseases, cancer, and others.), A number of urgent treatment of diseases and conditions within the framework of the so-called "state order";
- The Government finances certain social groups (persons with disabilities, persons with high score insecurity receive poverty benefits, etc.)
- Free primary health care in Armenia since January 1, 2006.
- Implementation of the principle of a co-payment for the persons which do not enter the above national groups since February 1, 2011 which means that the part of the expenses on treatment cares the patient himself.

## Reform Results

- Increase of system work productivity;
- Reducing a shadow health care (in form of the gratitude money);
- Some increase in availability of medical care;
- They do not promote reducing of direct expenses of the population therefore decrease the level of financial security of the population [Appendix 4].

Real development of voluntary health insurance started since 2005. Insurance companies sign contracts with corporate clients mostly. There was 1.3% of population (some with family members) who had voluntary health insurance with different covers, the most part of which was financed by employers in 2013. There were 90% of them had insured accidents in 2013. 63% of that insurance premium was paid as insurance indemnity.

There are some nuances which exist in that market. Insurance companies do not trust the insurers because they know the mentality of the population of Armenia who does not have a culture of care of their health, plus population does not have extra money to spend it on “some promise about help”. Poverty according to official statistics is 32% with the calculation of the minimum wage and about 60% with the calculation of the consumer basket.<sup>140</sup>

The analysis of health system reforms in different countries, including the countries of Central and Eastern Europe and CIS countries, suggest the possibility of selecting one of the two alternatives of health care reform: the first is to improve the existing model, the second is to switch to a fundamentally different model.

We partially understood the existing health system model in Armenia. Private health expenses are higher than public. There is voluntary health insurance, but this service is suitable for corporate clients but not for individuals. The prices for healthcare services increase annually. Population incomes decrease or remain unchanged. A lot of people do not do general medical examination because they do not have money for expensive medical services and there is a lack of trust to cheap and free medical services. As we saw the causes of deaths are preventable diseases mostly, which could be cured if a person made general medical examination every year and started the treatment in time. So, where is the solution of the problem? How to make people trust the health system and how to acculturate caring of your health, how to make most services available for the majority of people?

Worldwide there are the following forms of medical care, sometimes complementing each other

- Private medicine;
- Voluntary health insurance;
- Compulsory health insurance;
- (National) Public health system.

For choosing the required form for Armenia, we have to understand advantages and disadvantages of each, which are listed below (Table 2).

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<sup>140</sup> Sandoyan, E. M. and Avetisyan, A. G. The problem of poverty reduction in the context of the formation of long-term financial resources in Armenia (p. 187-188). VIII International Conference Kondratievskaya «Cyclical global processes, Kondratieff cycles and long-term vision of development of Russian and world peace», International Fund for ND Kondratieva.- M: IFC, 2012. ISBN978-5-8211-0605-6.

**Table 2. Advantages and disadvantages of different types of Medicare system**

	Advantages	Disadvantages
Public health system	<ul style="list-style-type: none"> <li>• Full coverage of the population</li> <li>• Control of the prices of medical services</li> <li>• Guarantee of free provision of the minimum amount of medical services</li> </ul>	<ul style="list-style-type: none"> <li>• The monopolization of health care</li> <li>• Ability to ignore the rights of patients</li> <li>• Lack of opportunities to choose a doctor and hospital</li> </ul>
Insurance Medicine	<ul style="list-style-type: none"> <li>• Possibility to choose a doctor</li> <li>• Possibility to choose a medical institution</li> <li>• Optimal distribution of financial resources</li> <li>• Availability to have insurance policies through participation of employers or funds of social security</li> <li>• Possibility of free granting medicine</li> </ul>	<ul style="list-style-type: none"> <li>• Medical services depends on conditions of the policy</li> <li>• Existence of exceptions on insurance coverage</li> <li>• Possibility of financial frauds</li> </ul>
Private medicine	<ul style="list-style-type: none"> <li>• Rationing of medical expenses</li> <li>• Possibility to choose a doctor and a medical institution</li> </ul>	<ul style="list-style-type: none"> <li>• Commercialization of health care</li> <li>• Lack of professional control over the volume and quality of services</li> </ul>

The effective healthcare is formed with a combination of compulsory and voluntary medical insurance. However, taking into consideration the population social status, the already high taxation of medium business, I consider necessary to offer the following changes in health system:

### 1. Financing

The main source of financing of the health system in Armenia is the private sector. Total expenditure on health in 2012 was 4.4% of GDP where 2.6% is private expenditure and 1.8% public expenditure, less than in European countries [Appendix 5]. However, for the proper functioning of Medicine WHO recommends the minimum required value of the public health expenditures by 6.8% of GDP for developed countries and not less than 5% of GDP for developing countries. Thereby preliminary it is offered to raise public health expenditures to 4-5% of GDP.

### 2. Payment mechanism

That means a mechanism of paying to doctors and medical organizations for the provided medical care. The suggested scheme is introduced in Structure 1. It needed to open an autonomous body in an insurance company to practice medical insurance, to involve specialists (physicians) that supervise the volume and quality of provided services.

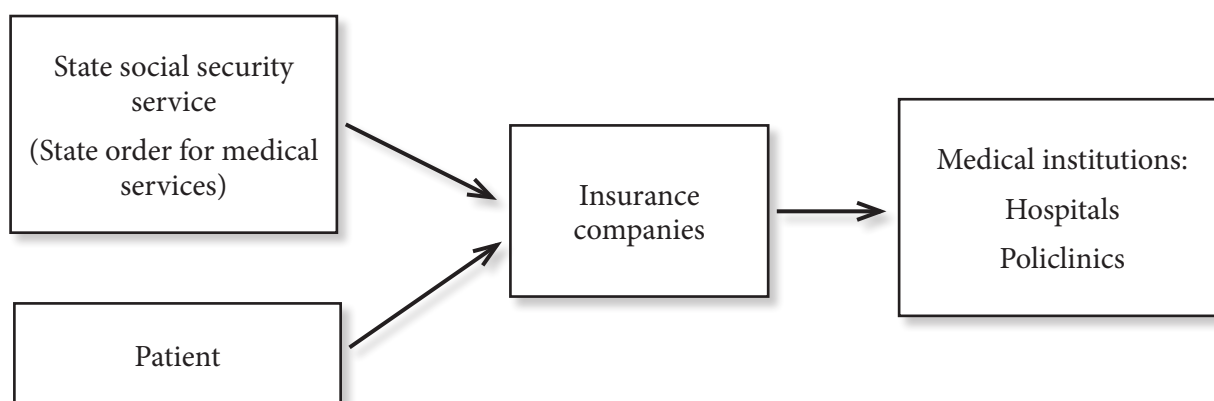
In this case everybody would have a Compulsory Medical Insurance policy which would cover

- Annual general medical examination
- Ambulance and emergency medical service
- Stationary medical care
- Medicines
- Pregnancy

The process would be the following: if the insured has health problems he calls to the insurance company, the company starts the treatment process organization and supervision. After providing medical services to patients the hospital gives the bill for payment to insurance company, and if it is a state order or a voluntary health insurance, the insurance company pays for the patient and takes money from the relevant authority. Medical institutions are interested in granting qualitative medical services, however this is not realistic in case if the state or the patient pays to medical institutions directly as they have no opportunity to trace and supervise the process, volume and quality of the provided services. As a result of this the medical institutions which are much more qualified receive much more financial flows due to which the health care develops and improves, the newest medical equipments are got, and the quality of medical services get better, wellbeing of the population increases.

After healthcare acculturating, people may have voluntary medical insurance and the structure will develop better.

#### Structure 1. **Treatment payment mechanism**



So, the positive results of the above suggestions are:

- ✓ Full coverage of the population
- ✓ Increase of annual general medical examination visits
- ✓ Discovery and treatment of preventable diseases in time
- ✓ Optimal distribution of financial resources
- ✓ Professional control over the volume and quality of provided medical services
- ✓ Fixed price list of medical services
- ✓ Financial flows in a high qualified medical institutions
- ✓ Medicine development + new equipment, etc.
- ✓ Quality growth of medical services

- ✓ Reducing a shadow health care (in form of the gratitude money)
- ✓ Possibility to choose a medical institution
- ✓ Clear access to medical services
- ✓ Health care culture

#### Negative Results:

- Medical services depend on conditions of the policy
- A limited list of covered diseases
- Exceptions in the voluntary insurance policy
- Giving privilege to several medical institutions from the side of insurance companies
- The risk of making a business on this structure (e.g. both the insurance company and the medical institution belong to the same person)

#### Implementation problems:

- Absence of cooperation practice between governmental authorities and the private sector
- Absence of trust towards the financial and medical institutions
- Lack of insurance culture and health care culture
- Lack of money to get an insure policy voluntarily.

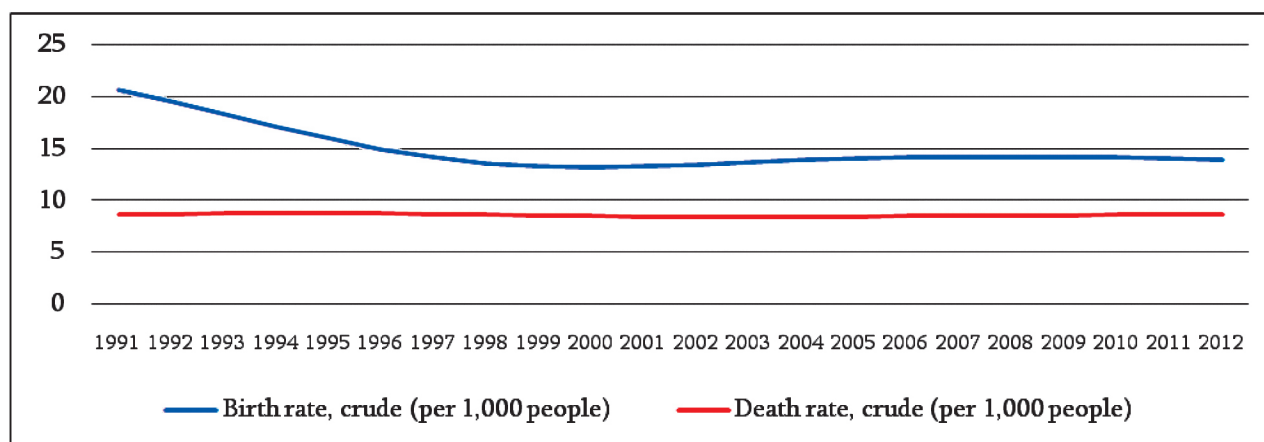
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12. [www.armstat.am](http://www.armstat.am) - National Statistical Service of RA Database
13. [www.globalissues.org](http://www.globalissues.org) - Database
14. [www.amsa.org](http://www.amsa.org) - The American Medical Student Association

## Appendix 1

**Birth rate and Death rate in Armenia**

Source: World Health Organization Database

## Appendix 2

**Morbidity Per 100 000 Population**

				Change (%) 2012 compared with	
	1997	2001	2012	1997	2001
Number of registered diseases with the diagnosis set for the first time - total	18199,3	13979,2	29905,6	64	114
Respiratory organs diseases	8373,4	6187,4	11495,6	37	86
Nervous system disorders and organs of senses diseases	1000,6	784,9	3723,9	272	374
Infection and parasitic diseases	1666	1608,1	2785,8	67	73
Injures and poisonings	2400,7	1565,8	1893,3	-21	21
Blood circulation diseases	461,3	522,7	1870,1	305	258
Urogenital diseases	537,4	523	1736,2	223	232
Complication of pregnancy, child birth and post-natal period	1009,9	932,3	1705,2	69	83
Skin infectioan and underskin fat diseases	1084,3	538,2	1672,1	54	211

Digestive organs disorders	1332,4	989,7	1625	<b>22</b>	<b>64</b>
Osteo-muscular and connective tissue disorders	220,4	155,9	756,8	<b>243</b>	<b>385</b>
Diseases of the endocrin system, digestion disorders, disorders of metabolism and immunity	299,7	248,1	496,2	<b>66</b>	<b>100</b>
Blood diseases and other hemato genic disturbances	155	149,1	376,9	<b>143</b>	<b>153</b>
Neoplasms	129	159,3	334,9	<b>160</b>	<b>110</b>
Psychic disfunctions	133,9	122,1	298,2	<b>123</b>	<b>144</b>
Symptoms, signs and inexactly indenti-fi ed states	49,4	40,7	208,6	322	413
Congenital anomalies (developmental defects)	24,6	29,3	69,4	<b>182</b>	<b>137</b>

Source: National Statistical Service of RA Database

### Appendix 3

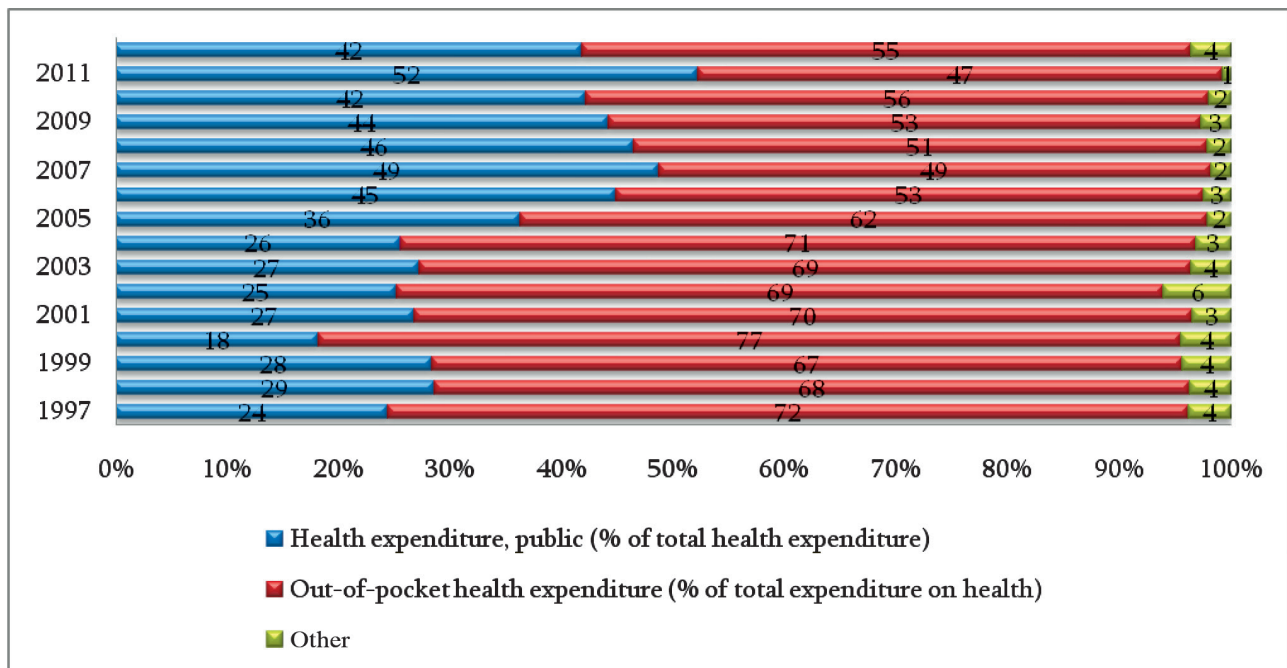
#### Main Indicators of Public Health

				Change (%) 2012 compared with	
	1997	2001	2012	to 1997	to 2001
Number of physicians of all specialities:	13023	11498	12938	-1	13
per 10 000 population	34,4	30,3	42,7	24	41
Number of paramedical personnel:	26553	20431	18784	-29	-8
per 10 000 population	70	53,8	62,1	-11	15
Number of hospitals	178	142	127	-29	-11
Number of hospital beds per 10 000	67,4	42,5	40,4	-40	-5
Number of medical institutions rendering out-patient and dispensary aid to population	497	460	513	3	12
Number of antenatal clinics, children's polyclinics and number of institutions with antenatal clinics and children's policlinics	350	391	375	7	-4

Source: National Statistical Service of RA Database

## Appendix 4

### Health Expenditures in Armenia 1997-2012



Source: World Health Organization Database

## Appendix 5

### Health expenditures in different areas in 2012, (% of GDP)

Country Name	Health expenditure, public	Health expenditure, private	Health expenditure, total
High income	7.48	4.73	12.22
European Union	7.86	2.29	10.19
Georgia	1.65	7.53	9.18
Upper middle income	3.44	2.75	6.19
Low income	2.05	3.31	5.36
Lower middle income	1.74	2.86	4.60
Armenia	1.88	2.61	4.49

Source: World Bank Database

# **Implementation of the System of Compulsory Medical Insurance in RA: Problems and Prospects**

*Annotation*

**Lilit Okhikyan**

*Russian-Armenian (Slavonic) University*

*Master of the second course of the faculty of International Economics*

*Instructor: **Mariam Voskanyan, Ph.D***

The main thesis of my scientific article is to show that medical insurance in lower- middle-income economies, even if it is compulsory, is efficient.

In the century of sedentary life and society with immune degradation each of us faces some health problems with its medical sequences which in its turn requires too much expenses. The implementation of the system of compulsory medical insurance will modernize and develop medical standards and develop insurance culture in population conscious.

I will use quantitative methods. Technique of research by a quantitative method is the analysis, comparison, synthesis. At data processing statistical methods were used: description of data, estimation of data, graphic method.

# Formation and Implementation of Corporate Strategies in a Dynamic Environment

**Ketevan Ghambashidze**

*Ivane Javakhishvili Tbilisi State University*

*Student of the first course Ph.D. of the faculty of Economics and Business*

*Instructor: Giorgi Gaganidze, Prof.*

## **Introduction**

Management of any business is based on the strategy formation, its adaptation to the specifics of the company and implementation. Properly chosen and developed strategy, as well as its proper implementation, is the most reliable evaluation criteria of management competence. The concept of corporate strategy defines the entire organization's goals and scope of activities. It includes specification of long-term goals and objectives, which will add value to business in today's unstable business environment. Corporate strategy is a strategy that describes the direction of company's overall growth.

The main objective and importance of the work is to underline that a properly designed and analyzed corporate strategies could play a dominant role in maintaining and/or obtaining a competitive advantages, which are crucially important in today's global and highly competitive environment for companies of any size and scope. Moreover, in the context of DCFTA Agreement perspectives, the issue of compliance with new standards will arise for many Georgian companies.

Nowadays, it is especially difficult to predict the environment, which is primarily caused by the actively ongoing globalization process. Many companies have changed the traditional approach to business and refer to complex models and methods of corporate planning.

Taking into consideration globalization process, the significance, selection criteria, several analysis models, strategy formation, implementation and evaluation characteristics should be discussed.

The work also describes in details, the methodology of the survey implemented and a critical analysis of its results, based on which a number of issues were identified. Georgian companies should focus on these issues to obtain the maximum efficiency from the implementation of strategy.

## **The essence, types and selection criteria of corporate strategy.**

Corporate strategy represents the company's overall management plan. It applies to the entire company, all areas of its activities. It consists of the actions and approaches, which are carried out to strengthen the company's activities in various spheres. This strategy is formed by top-management. They bear the primary responsibility for the analysis and recommendations received from lower-level managers. Basically, the corporate strategy considers the company actions to achieve the diversification.

The strategies of diversified companies are being developed at four different organizational levels:

Corporate strategy - the strategy of entire company and its spheres of activity.

Business (competitive) strategy is used for separate activity spheres of the company, concentrating on those approaches and actions associated with the successful activity of a particular sphere.

**Functional strategy** is used for the functional activity of the particular area (production, marketing, customer service, distribution, finance, human resources, etc.).

**Operational strategy** - a strategy for the basic structural units. It defines management approaches for

organizational units (sales offices, distribution centers, etc.).

There are three types of corporations: single profile companies, conglomerates (a combination of two or more corporations engaged in entirely different businesses that fall under one corporate group, usually involving a parent company and many subsidiaries) and diversified companies. The corporate and business strategies of single profile company are identical, while diversified companies and conglomerates have different strategies for all organizational levels.

Any corporate strategy aims to achieve synergy effect. Synergy is the raise of efficiency on the basis of systemic effect, the creation of a whole that is greater than the simple sum of its parts.

Generally, the corporate strategy should provide answers to two key questions:

- Which businesses must the company's portfolio include;
- How the role of the corporate center in business management will be defined.

The most common and widely publicized classification of strategies must also be discussed. These strategies are called basic or standard strategies. They reflect the company's basic approach to the future growth and relate to the changes of one or more elements, like product, market, industry and company's position in it, technology, etc.

According to this approach, there are four basic strategies and each is divided into a number of types:

- Concentrated growth strategy (Market penetration; Market development; Product development);
- Integration strategy (Forward integration; Backward integration; Horizontal integration);
- Diversification strategy (Concentrated (related) diversification; Conglomerated (unrelated) diversification; Horizontal diversification);
- Defensive strategy (Retrenchment; Divestiture; Liquidation).

Many companies simultaneously pursue a combination of two or more strategies. The main importance in choosing a proper combination is ratio between risk and benefit of using such a combination.

The primary factors affecting the strategy selection process include: goals; organization's size; market attractiveness; competitors' strategies; market conditions and the company's position in the market; company's competitive advantages; company's potential; product characteristics; the company's and its product life cycle stages; management priorities; financial resources.

Obviously, it is almost impossible to take into consideration all of these factors simultaneously when choosing a strategy, however, the analyze of certain parameters should be made.

There are many well known analyze models and approaches. The most popular models are SWOT and PESTEL analysis. The analytical methodology of company's internal area is VRINE model. Also well known and widely used in practice models are "Ansoff Matrix", „Boston Consulting Group - BCG “ model, "The Strategic Position and Action Evaluation - SPACE Matrix", „The Grand Strategy Matrix". The structure of each model is based on a combination of different factors and the results are highly important not only for the process of proper choice of the strategy, but also for the entire process of implementation and evaluation.

Thus, the choice of strategy type and evaluation of its implementation is quite a topical issue, since it ensures the company's success in reaching desirable goals.

### **Strategy implementation and evaluation process.**

*“People think of execution as the tactical side of business, something leaders delegate while they focus on the perceived ‘bigger issues’. This idea is completely wrong. Execution has to be built into a company’s strategy, its goals, and its culture. And the leader of the organization must be deeply engaged in it .<sup>141</sup>»*

**Larry Bossidy**

During implementation process of the strategy, answers to four main questions should be given:

- What to do? (formulation of goals);
- Who will do it? (action program should be developed);
- Why will he/she do it? (understanding of the financial side, budgets, executers’ motivation methods);
- How to do it? (definition of action procedures).

The most important part of any strategic program is necessity of some procedures and standards change. This leads to the following necessity: personnel quality evaluation; quality improvement programs’ development; development of alternative options of programs implementation.

Staff quality evaluation - this is the most difficult issue in the whole system of personnel management. For instance, there are proven methods of managerial potential assessment, while regarding specialists and workers, management has to rely on subjective assessment of direct supervisor.

Development of alternative options of qualification evaluation programs, can also be considered as an important step in personnel quality improvement issue. This should include analysis and comparison of the following options:

- Attraction of independent contractors;
- Recruitment of specialists for specific job performance;
- Open-ended or fixed-term employment contracts arrangement.

Thereby, a number of administrative tasks must be formulated during the strategy implementation:

- Providing internal leadership;
- Create an organizational structure which will support the strategy implementation;
- Budgets overview;
- Develop supportive measures (rules and procedures);
- Adjust the motivation system to the strategy implementation;
- Develop strategy supporting organizational culture.

High importance of strategy evaluation is also caused by a rapid change of internal and external factors. Companies have to work in a global and dynamic environment. The success today can not provide the same success tomorrow. Product life cycle, as well as development cycle, is decreasing, while global competition is increasing, new technologies are rapidly developing. Strategy evaluation is necessary for companies of any size and scope. This issue must become an integral part of strategy development and

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<sup>141</sup> (7., 2002) Larry Bossidy, businessman, writer, retired CEO, Honeywell Inc.

implementation, not a periodical process or kind of activities after problems occur.

The strategy evaluation consists of three main elements:

- Checking the main base of the company's strategy;
- Comparison of the actual and planned results;
- Taking corrective actions if necessary<sup>142</sup>.

Strategy evaluation can be conducted at three levels:

1. The effectiveness of the implementation of separate strategic programs;
2. The quality of achieving of strategic goals;
3. Relevance of strategic goals with «stakeholders' interests.

The effectiveness of strategic program implementation is determined by four main parameters:

1. Cost of program implementation in comparison with forecast budget;
2. The program implementation period in comparison with initial forecast;
3. Comparison of the effects achieved with effects expected;
4. «Unexpected» effects volume and importance.

Efficient instrument of measuring the results is “Balanced Scorecard”, which focuses on four areas: financial, customers, internal business processes, learning and growth.

The methodology, qualitative and graphical analysis of the survey implemented.

The objective of survey was to determine the importance of corporate strategy development and implementation process for Georgian companies, whether it applies to the entire company, all areas of its activities. Finally, if it helps the company in its value creation process, in the formation and coordination of its actions on the market.

Due to the specifics of research area, it was necessary to conduct interviews along with questionnaire survey.

Survey was held in Tbilisi and Rustavi from February, 2014 to April 2014.

The inclusion criteria: the company has been successfully conducting economic activity; the company has intention to strengthen its position on market based on diversification; head of the company agreed to give an interview.

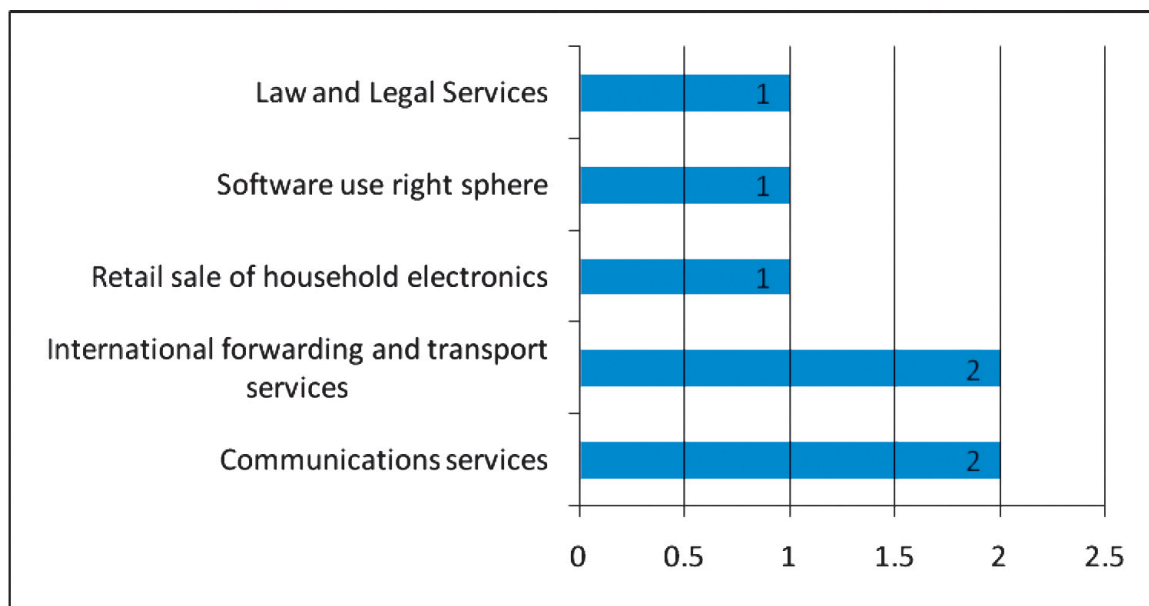
The survey involved one representative per company. Their positions - CEO or CFO. Working experience - at least 3 years of work experience on the position.

The implemented survey involved seven organizations. According to the sphere of their activity the picture is as follows:

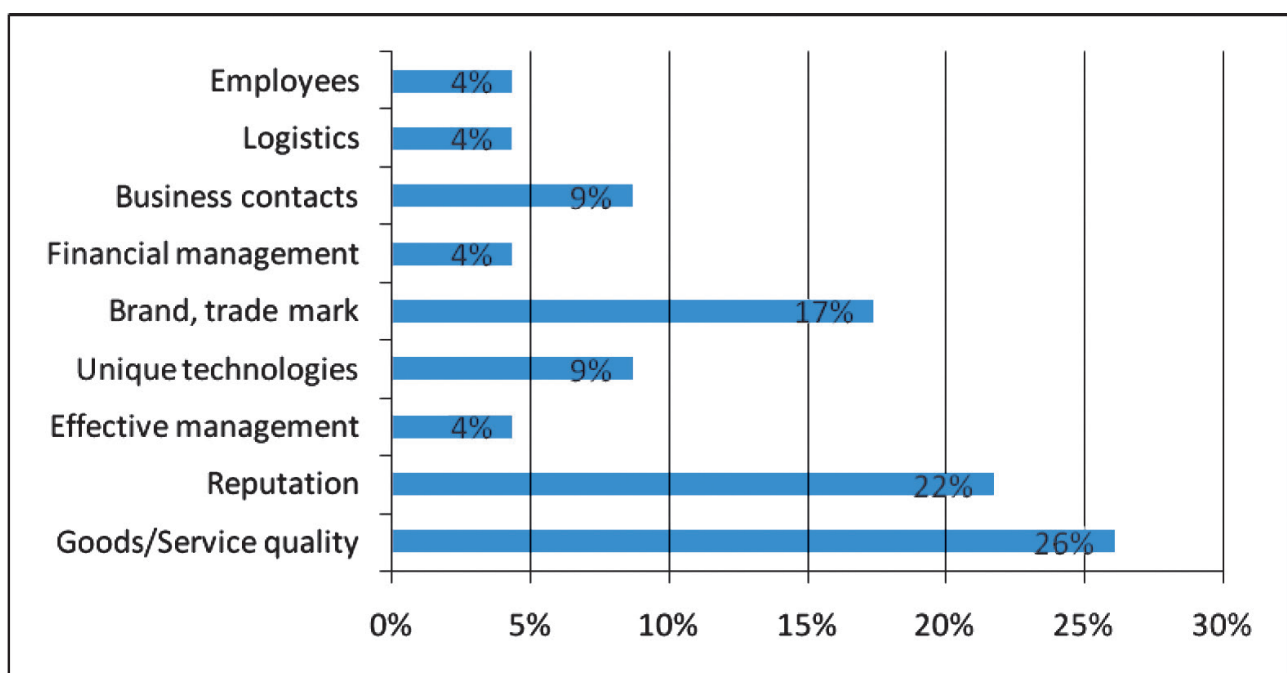
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142 (1., 2011)

Pic. 1. Participant organizations by activity

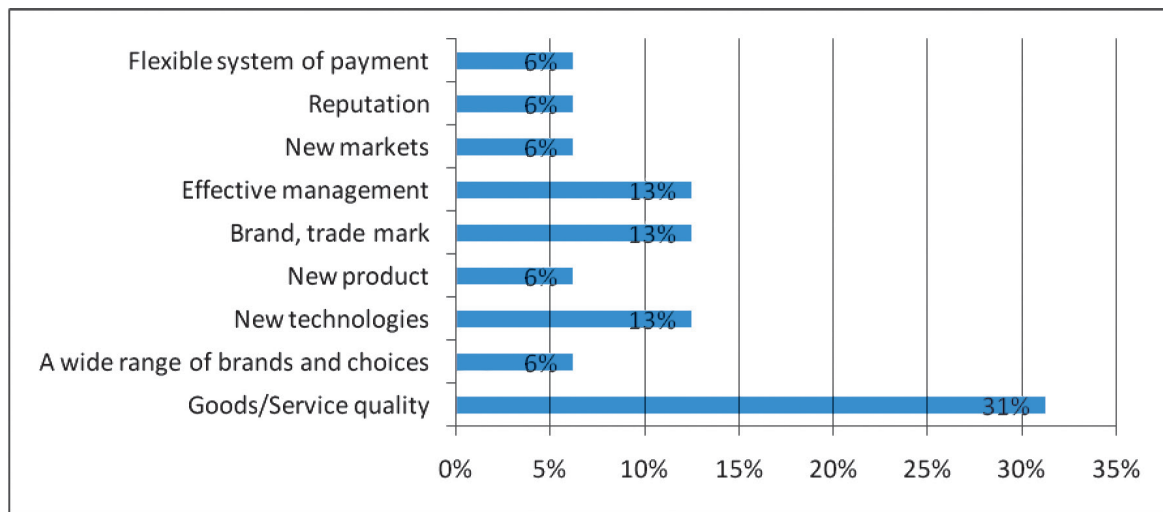


Pic. 2. Main sources of value creation

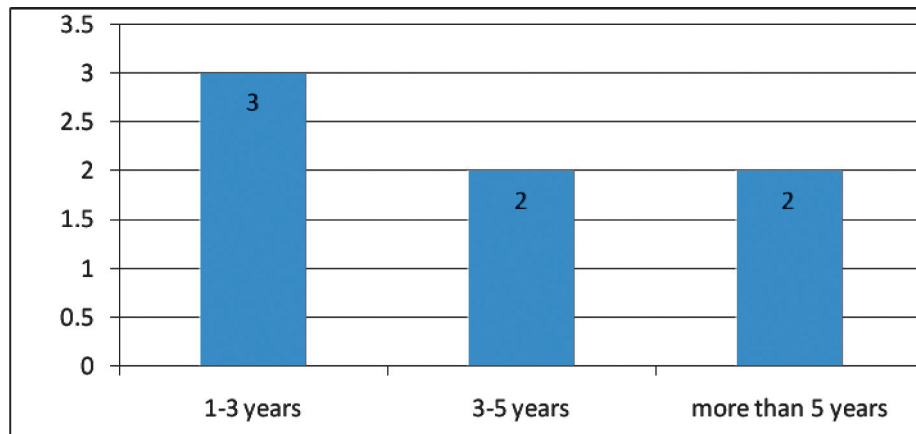


While filling the suggested questionnaire form, answering the question “what is your company’s competitive advantage?” the respondents could tick maximum three available answers, however each company chose maximum two answers.

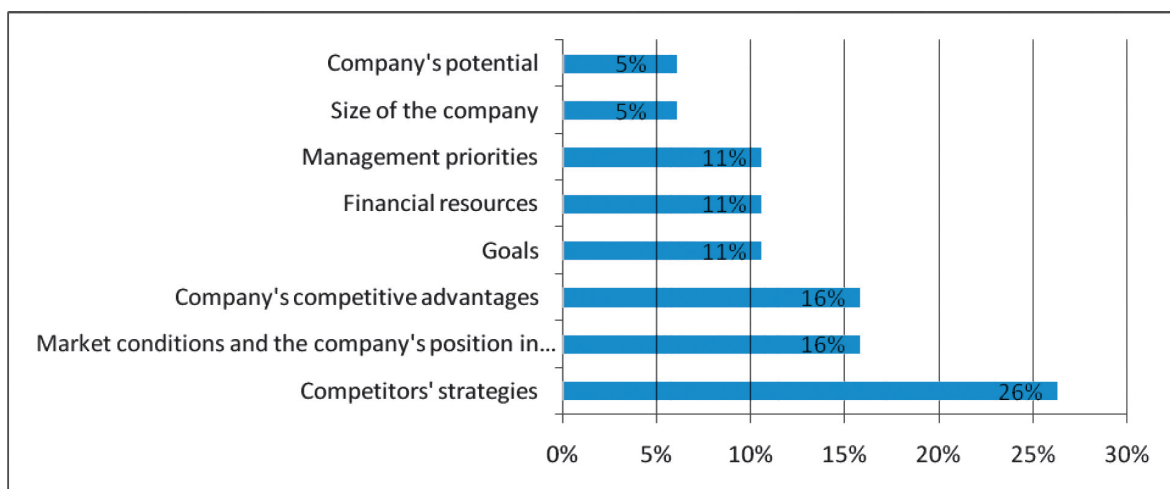
**Pic. 3. Competitive advantages classification**



**Pic. 4. Developed strategy period**



**Pic. 5. Factors used for strategy selection**



The interview process revealed, that none of the surveyed companies had any formal plan of strategies implementation. The personnel familiarization process included only meeting arrangements and/or direct instructions. Therefore, the involvement of employees in the process of implementation of strategy is quite minor.

Strategy evaluation process is based mostly on financial indicators.

Only the SWOT analysis is used during the strategy formation process.

The main two reasons of reviewing the strategy are: competitors' strategies and changes in the business environment.

### **Conclusion and suggestions**

The issue of corporate strategy in Georgia is particularly important in the context of EU-Georgia agreement on Deep and Comprehensive Free Trade Area - DCFTA. The aim of the Association Agreement is to create a deep and comprehensive free trade agreement with each partner country and also to undertake all obligations under this agreement. Free trade means not only trade without tariffs and quotas, but without so-called non-tariff barriers too. That means an important legislative harmonization with EU standards, therefore the issue of compliance with new standards will arise for many Georgian companies.

As a recommendation for Georgian companies, we have to draw attention to the following issues:

- Companies should often arrange workshops and trainings for their employees to raise their qualification. Also there must be emphasized, that Georgian companies are mostly seeking for professional and experienced staff, not paying attention on such an important issue as rising interns. Such attitude causes the difficulty of beginning the work and therefore gaining work experience for young generation with good knowledge and desire to work. As it was mentioned earlier, one of the most important aspects of the performance of any strategy, is qualified human resources. Therefore, paying more attention on this issue, may give the company a possibility to gain strong competitive advantage in future.
- It is highly important for any company to analyze it's mission and purpose. Unfortunately the majority of Georgian companies can not see the difference between mission and purpose. Without these basic concepts, it is impossible to develop the right strategy and to enable it's efficient performance.
- Strategy evaluation system also should be revised and the process must include not only financial performance. Most Georgian companies are not even using the full range of financial indicators, but focus on sales growth and profit margin ratios only, which is not enough if the company is focused on long-term goals and wants to have an effective strategy.
- It is desirable that companies have their strategy formalized, maybe even in printed form. In many cases, clearly defined responsibilities and written instructions, play a dominant role in reaching goals.
- It would be effective to develop a stepwise, unified system for implementation and evaluation of strategy. Developing corporate strategy is one of the most difficult tasks the managers are facing. It's solution requires good analytical skills, knowledge and experience, but also intuition and creative potential. The unified system would make the process easier and at the same time it would enable the company and it's stakeholders, to assess strategy development, implementation and evaluation, on any convenient time interval.

The value of corporate strategy consists of company's internal and external processes harmonization. As soon as all components of the strategy are managed in accordance with planned trajectory, it helps the company in obtaining competitive advantage and value creation.

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# **Formation and Implementation of Corporate Strategies in a Dynamic Environment**

*Annotation*

**Ketevan Ghambashidze**

*Ivane Javakhishvili Tbilisi State University*

*Student of the first course Ph.D. of the faculty of Economics and Business*

*Instructor: **Giorgi Gaganidze, Prof.***

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The work also describes in details, the methodology of the survey implemented and a critical analysis of its results, based on which a number of issues were identified. Georgian companies should focus on these issues to obtain the maximum efficiency from the implementation of strategy.

As a result of implemented research, which included a survey of Georgian companies in a form of interview and questionnaires, a qualitative and graphical analysis have been done. Topicality of current work and research results analysis is summarized in a form of conclusions and recommendations.

# **Deep and Comprehensive Free Trade Area and its Potential Impact on Georgia's Economy**

**Salome Gorgiashvili**

*Caucasus University*

*Senior student of the faculty of European Studies*

*Instructor: David Gamkrelidze, Prof.*

## **Introduction**

Georgia's trade policy and its integration into global market is strongly linked to the economical growth and country's welfare. During last decade Georgia has made some important structural changes and made steps in this direction with the objective of improving its political and economic stability and to increase economic growth in a sustainable fashion.

Georgia's largest trading partners are now Turkey, Azerbaijan, Ukraine, Russia, China and the total of EU-member states. Georgian exporters look to the European market as the most desirable venue their products because it is the largest in the world and with increased capacity. Free trade between EU and Georgia is guarantee for future economic growth, better living standards and for creating better environment for more investments and for creating jobs.

Today Georgia's economy suffers for lack of strategic investments in various spheres; there is a low standard of living for the vast majority of the population, poverty index is not in an enviable place in the scale, and many needs are not factored in access to medical care at affordable prices, the growing gap between rich and poor and a diminishing middle class. It is difficult to address all the structural problems mentioned above on based on a narrow focus, and issues must be addressed from a macro-economic and policy perspective.

It is well known that the Russian market has been the most traditional and the largest, based on traditions and branding. However, because of the political tension between Russia and Georgia that traditional market is not as attractive as before. Georgia now seeks better and more secure markets which will afford it the opportunity to fully benefit from the terms of trade. If we look for world trade markets we can discover that EU's market is the largest and there are few alternative on it, based on location and favorable terms of trade.

Center stage to this discussion and in light of the continued process of European integration, Deep and Comprehensive Free Trade Area (DCFTA) is vitally important for Georgia's economy; this will give Georgian products chance to establish themselves in the EU market. This in itself will help in overcoming and bring about the removal of tariff and non-tariff barriers. Moreover, "It will create new opportunities for trade and economic growth. It will help governance and policy-making in Georgia more open and inclusive, by aligning with EU standards and practice. And it will help generate new jobs, lower prices and provide better standards of consumer protection."<sup>143</sup>

## **Association Agreement and its economic part**

After four years negotiations Georgia and the European Union signed Association Agreement, including deep and comprehensive free trade area (DCFTA), on June 27 in Brussels. This was the most important moment in Georgia's history during the process of European integration.

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<sup>143</sup> [http://eeas.europa.eu/delegations/georgia/documents/eap\\_aa/dcfta\\_guide\\_2014\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/eap_aa/dcfta_guide_2014_en.pdf) (accessed September 29, 2014).

Association Agreement's economic part gives Georgia chance to benefit from new trading opportunities and easier access to the EU market which is the largest in the world. The Agreement will allow the Georgian economy to catch up with the EU in terms of competitiveness and gradually gives chance to find its place in the world economy. This will open up new opportunities not only in EU-Georgia trade, but in Georgia's trade with the rest of the world.

The application of the quality and food safety standards which are required to be fulfilled by EU will bring significantly more choice and higher quality products to Georgian consumers and make Georgia a more attractive place for foreign investors.<sup>144</sup> What about political part? As it is tightly linked to economic part it should be mentioned that Georgia is a politically important partner for the EU. Regarding Georgia, another BBC article on the agreements explains that: "Georgia is strategically important for the EU because the bloc plans to increase its energy imports from Georgia's Caucasus neighbor Azerbaijan and Central Asian republics further east. A key pipeline already crosses Georgia. EU leaders worry that Russia – a key energy exporter may no longer be a reliable partner. Reforms which are required to be implemented by government will strengthen democracy and political and institutional stability in Georgia."<sup>145</sup>

Apart from economic and political benefits Association Agreement offers reforms like gradual approximation of the country's legislation to EU norms, to promote human rights.

### **What is DCFTA?**

Deep and Comprehensive Free Trade Area is part of Association agreement which is oriented to assist Georgia's economy in the terms of growing GDP, annual income from trade, etc. DCFTA contains mechanism to integrate in EU market and it is a way for Georgia straight to European market. "It gives Georgia opportunity to profit from EU's internal market's three liberties out of four: free movement of good, service and capital. Fourth-free movement of people is regulated by liberalization process of visa regime."<sup>146</sup>

Opening markets in the terms of DCFTA is new opportunities for Georgia, but there will be big challenges as a country which has centrally planned economy and is in transitional process to a market economy. Georgian producers and exporters will be offered free access to the EU market with over 500 million high income consumers for almost all products traded and in medium and long-term perspective Georgia has chance to establish in EU market after successfully making reforms in the fields which are the most sensitive.

Who will benefit from DCFTA? "Extending the EU's internal market to Georgia will bring benefits for: Domestic and foreign investors and entrepreneurs, Inventors and artists, Central and local government authorities and what is the most important- by ensuring better product quality consumers will have opportunity to insure their life and to live in a better environment"<sup>147</sup>

Shortly, DCFTA differ from other trade agreements which are signed between Georgia and other countries or unions as it offers not only free movement of good, but also services. It means better economic growth and stability which will provide new industries and export products, introduction of the best European practice in public administration bodies and economic, political, social and cultural welfare as a whole.

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144 [http://eeas.europa.eu/delegations/georgia/documents/eap\\_aa/mythbuster\\_2\\_2014\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/eap_aa/mythbuster_2_2014_en.pdf) (accessed September 29, 2014).

145 <http://www.bbc.com/news/world-europe-28038725> (accessed September 30, 2014).

146 <http://www.economy.ge/ge/dcfta> (accessed September 30, 2014).

147 [http://eeas.europa.eu/delegations/georgia/documents/eap\\_aa/dcftamoving\\_2014\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/eap_aa/dcftamoving_2014_en.pdf) (accessed October 1, 2014).

### **Taken obligations and Problems during implementing all the reforms**

Many questions occur during the discussion about reforms which are important and in a first place to be made by Georgia in order to start using all the benefits which is offered by DCFTA. Some may think that it is not proper time because of Georgia's economic growth has slowed down and budget is in deficit. Skeptical opinions spread about the fact that the economic benefits of DCFTA for Georgia are negligible, while the costs of reform will be significant, only the EU will benefit from the DCFTA, Georgia stands only to lose jobs, companies and talented people who will go work in Europe; this is not a good time to start the reforms.

While Georgia citizens worry about future results of the reforms, main concern for representatives of the private sector, business, SMEs<sup>148</sup> and for small farmers is that business will go bankrupt as they are already facing crisis, Georgian farmers will lose out because of reforms; reforms will destroy the sectors that manage to get by in Georgia, European imported food will ruin Georgian agriculture producers, Food is going to be more expensive as a result of the DCFTA, Many small farmers will go out of business as a result of forced increase of food safety standards, Georgian manufacturers will lose out because of reforms, Imports from the EU will drive Georgian companies out of business, etc. Their concern hence it follow that they are not fully informed about process of the reforms and the outcomes of the implementation of new standards.

DCFTA implies a lot of reforms and regulations which seem like burdensome if we consider Georgia's economy's current situation and its part in world economy. EU named four major problematic areas in the sphere of making reforms and these are: Technical barriers to trade, Sanitary and phytosanitary (SPS) measures, Intellectual property rights and competition. These are problems which needs financial resources, right policy offered by the officials especially from the Ministry of Economy and Sustainable Development of Georgia. It is difficult to determine what will be in the future and discuss about Georgia's possible success or failure in the terms of fulfilling the entire obligations which are required by EU. It will not be easy process when budget is in deficit or society is not fully informed about consequences of the reforms, they do not know what to do to transform their businesses near to EU standards and the big role here is played by government of Georgia, it should provide different kind of programs, meetings which inform small businesses, farmers and everyone who will be interested in this sphere. Here should be mentioned that the main goal for Georgian government is integration to EU and more specifically implementation of DCFTA. In this aspect Georgia's government approved the Action Plan for 2014-2017<sup>149</sup> which contains all the details which is useful in the process of European integration.

### **Technical Regulations, Government Purchases, Competition Policy**

Technical regulations, government purchases and competition policy are the themes which are sensitive for Georgia, because they are linked to economic development and directly related to effectiveness of trade in EU market. Technical regulations serves to promote competitiveness security of the product this is why it is essential for Georgian products to have standardization certificate in order to be acknowledged as safe product by EU market.

Technical regulations differ from standardization as it is the indivisible part of Georgia's legislation while standardization is voluntary. The entrepreneur sometimes is more competent when it comes to pro-

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148 Small and medium enterprises

149 <http://www.eu-nato.gov.ge/en/eu/cooperation> (accessed october 1, 2014)

duce products in accordance with internationally recognized standards than be influenced by government's regulations. In order to overcome all the problems which are linked to technical regulations there is "strategy about standardization, accreditation, conformity assessment, technical regulations and metrology"<sup>150</sup> developed by government and its main goal is to make a stable basis about abolition of technical regulations (TBT), build strong institution of technical regulations and quality infrastructure and also to promote human health, life and environmental security. Strategy reflects opinions and observation of European commission about Georgia's preparedness and readiness to fully benefit from DCFTA.

What about government purchases? The main problems in this field are that there should be promotion of rational spending of monetary sources for state purchasing, development of competitive environment for production of essential goods, services and construction work which are necessary for state, to ensure fair and non-discriminatory approach towards the participants of procurements, ensuring transparency in public purchasing, the creation of the electronic system of public purchasing and to promote public trust towards the system.<sup>151</sup>

Until 2012 legislation about antimonopoly policy was not functioning, on the basis of recommendation from EU parliament Georgia's parliament accept new antimonopoly law. The main goal in this aspect was to fight against monopolies, cartel agreements and to make effective steps to develop competitive environment in the internal market.

### **Benefits from DCFTA**

It is indubitable that DCFTA will bring welfare in Georgia in the long-term perspective. It is the proposal from EU to make country economically strong and products produced in Georgia competitive throughout the world especially in the world's largest market – in EU market.

Georgia has interest in making this trade less costly, and in expanding it. More exports to the EU means more income and, therefore, the growth of the Georgian economy. The boost from tariff eliminations will be primarily to Georgia's benefit. With regard to goods, the import duties on all goods imported from Georgia to the EU or vice versa will be removed immediately. This will be an important boost for its economy and companies. Here should be mentioned investment growth, which is very likely to grow strongly thanks to the opening of markets through the DCFTA. In addition, the reforms will strengthen democracy and political, economic and institutional stability in Georgia, making it a more predictable and attractive destination for investment.

Furthermore, there is a set of immediate benefits for Georgia in the Agreement, without any reform process: "1) the EU removes all its import duties on Georgian imports from the day the DCFTA enters into force. Georgia's exports will benefit from this decision immediately. 2) Companies can also immediately benefit from simpler conditions to establish their activity in the EU or in Georgia. This will boost investment and create jobs in Georgia. 3) Companies can provide services on a broader scale than before, which will also expand their activities and create jobs."<sup>152</sup>

More specific details about benefits expressed in numbers is offered by Trade Sustainability Impact Assessment, 2012 report commissioned by the EU, which estimated that the DCFTA will increase Geor-

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150 [http://government.gov.ge/files/181\\_31512\\_773863\\_TBTPrograma.pdf](http://government.gov.ge/files/181_31512_773863_TBTPrograma.pdf) (accessed October 1, 2014)

151 [http://procurement.gov.ge/files/\\_data/geo/samartleblivi\\_aqtebi/saqartvelos\\_kanoni\\_saxelmwifo\\_shesyidvebis\\_she-saxe03.pdf](http://procurement.gov.ge/files/_data/geo/samartleblivi_aqtebi/saqartvelos_kanoni_saxelmwifo_shesyidvebis_she-saxe03.pdf) (accessed October 1, 2014).

152 [http://eeas.europa.eu/delegations/georgia/documents/eap\\_aa/mythbuster\\_2\\_2014\\_en.pdf](http://eeas.europa.eu/delegations/georgia/documents/eap_aa/mythbuster_2_2014_en.pdf) (accessed September 29, 2014).

gia's exports to the EU by 12% and imports from the EU by 7.5%. Full implementation of trade-related reforms, according to this report, could increase Georgia's long-term GDP by 4.3% annually (€292 million in national income).<sup>153</sup>

### **Results of the research**

Young generation is the future of Georgia this is why main goal of the research was to become aware about students expectations in the context of integration to European Union. In order to fully comprehend part of society's attitude quantitative research method was used which is believed as reliable and internationally recognized method. This method also gives researcher chance to generalize results in a broader public. During this research 100 student were surveyed by social-media. Confidentiality was fully protected and their answers were only used to be generalized their attitude and preparedness towards the topic of Georgia's integration in European Union. There were used 6 multiple choice questions, 2 rating scale, 2 drop-downs.

As it is possible to generalize young generation's attitude towards becoming closer to European Union it can be said that majority of the students think positively about Georgia's future membership in EU as they think that EU membership will promote development of Georgia's economy, political stability in Georgia; religious and ethnic tolerance in society, will promote to overcome problems in corruption, will strengthen Human Rights, will guarantee Georgia's security as an independent country and better quality of education for Georgia's young generation. 56% of students in the rating scale fixed their position that they neither disagree nor agree that EU membership will change Georgia's current traditions/customs/beliefs; same amount of students expressed that they neither disagree nor agree that EU membership will exacerbate conflicts In Abkhazia and South Ossetia.

Question which was formulated like this: "In your opinion what is the main interest for EU towards Georgia to become its member?" 40 % of students answer that Georgia's strategic position was the most important factor for EU towards Georgia to become its member. Majority of the students, for about 30% of them consider that Georgia needs 6-10 years to become EU member. In the end of the questionnaire there were two specific questions about DCFTA whether they have heard about it and if the answer is positive how do they think it is possible to painlessly fulfill all of the obligations required from EU to fully benefit from Association Agreement? 80% of the students have heard about DCFTA and answers about last question: "how do you think it is possible to painlessly fulfill all of the obligations required from EU to fully benefit from AA?" were equally presented, 45% noted that "It is totally possible" and also 45% thought that "Impossible to do it painlessly". 10% of the students consider that "It is not worth even trying".

### **Conclusion**

DCFTA is the scheme, for Georgia to run a substantial trade policy in the European Union. If there would not be any privileges it would be difficult for Georgian products to establish in EU market. In this regard, entrepreneurs still face some problems, they aren't able to produce products in accordance with EU standards and that is why they could not be competitive and profitable products to the EU market. There are directives established by EU for specific product which foresees the implementation of sanitary and phyto-sanitary needs. Environmental requirements from the European Union and the regulation of

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<sup>153</sup> <http://www.civil.ge/eng/article.php?id=27417> (accessed October 2, 2014).

labor- all of these requirements are an important step for Georgia in economic relations with the European Union. However, this will not happen at once, it is quite hard process.

It is essential that the government should provide large and medium-sized entrepreneurs and business sector with information about this initiative, explanatory awareness activities should be carried out for the European market-oriented companies.

However, in spite of all the stated benefits the question remains: Will prices for products which are produced by EU standards in Georgia will increase and will this be a heavy burden for the producers, processors and consumers alike? It is obvious that production based EU standards will bring about price increases. The production standards are connected with financial expenses and these are passed on to consumers

Consequently the government should make establish appropriate policies, and incrementally adapt all these standards and for Georgian products Georgia will fully meet the stringent requirements to enter the EU market.

It is important for the authorities to establish not only the strategies that are definitely a step forward in terms of European integration but also the implementation of these strategies can be implemented in a concerted fashion. Particular attention should be paid to standardization, technical requirements, harmonization of customs legislation. It is also important that the legislation in this area should be stable and shouldn't be changed often and out of political or economic short-term expediency.

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<http://www.civil.ge/eng/article.php?id=27417> (accessed October 2, 2014).

# **Deep and Comprehensive Free Trade Area and its Potential Impact on Georgia's Economy**

*Annotation*

**Salome Gorgiashvili**

*Caucasus University*

*Senior student of the faculty of European Studies*

*Instructor: David Gamkrelidze, Prof.*

Topics about Association Agreement and its economic part- Deep and comprehensive free trade Area (DCFTA) is very popular in Georgia now. I am studying European studies and this is why I chose topic from my field which gives me chance to enhance my skills and abilities in making proper academic paper in the field which I am more competent.

One more reason which influenced my decision about thinking and making paper about this topic is that when I was an intern in the Ministry of Foreign Affairs of Georgia I was working on topics like Association Agreement, but I did not know deeply what was Association Agreement and what benefits or losses should come with signing this agreement and now I have chance to enhance my knowledge and the process of writing will be very interesting and creative for me.

Society is not informed about this agreement completely and one of the main goals for writing this paper is to see the results of the research about society's opinion, what they know about this topic. Research need to be conducted in order to raise consciousness about this topic in society and I have used questionnaire as a research method in my work and I questioned small segment of society-students, this gave me a chance to make conclusion about awareness in youth of Georgia about topic mentioned above.

This paper will raise many questions and I will try to seek information about both sides (about Georgia's and EU's positions) which are involved in this process from credible sources and literature. Study hopes to achieve to answer all questions which will be raised during research process and it will raise awareness of the public if we discuss this topic in broader public.

## Method of approach for choosing effective management style

Nino Machavariani

*Tbilisi State University*

*Student of the Master degree of the faculty of the Social Sciences*

*Instructor: Shalva Machavariani, Ph.D*

Organization's developing is somehow depended on its employee's successful activities, which is possible with maximal utilization of worthy intellect, skills and other personal characteristics. According to existing tendencies, the role of abovementioned factors will be raised in the future [Alvin Toffler and Heidi Toffler, 1990]. Famous management specialists have considered that well prepared employees represent organization's most important and valued source [Peter Drucker, 1999]. That's why; the main sum of management is effective utilization of such resource. Nowadays, managing human resources are perceived as scrutinizing balanced systems and its rational usage, which is important for achieving organization's goals and on the other hand it helps realization of employees' skills.

In Georgian existing organizations (especially in governmental structures) management models are oriented on bureaucratic activities, forming hierarchical structures, strictly determined norms and procedures. In such cases, mainly, leaders use authoritarian leadership style, which is for "lazy employees" according to Douglas McGregor's X Theory [McGregor, D., 1960]. Generally, authoritarian style is used in routine environment. According to management theories, democratic management style is acceptable in changeable environment ("Y" Theory, D.Mcgregor).

Modern environment is characterized with turbulent type hastened changes, for that use of Z theory [Ouchi, William G. 1981], or I theory (Clifford I. Sears), which is modified version of Z theory, is highly recommended.<sup>154</sup>

In the environment of rapid changes, it's necessary to display totally creative possibilities of all employees, maximal concentration of their power for solve existing problems and receiving synergy effect with assisted activities. For this, first thing to be done is uniting organization on the ground of idea, social value and faith of achieving progress.

In California, May 2008, 35 famous scientists in management and businessmen have drawn out their view on future management, new paradigms on management and equivalent management problems [Gary Hamel, 2009], which requires:

- Activities based on knowledge, which will be oriented on innovative ideas, social responsibility and stimulating creative.
- Replacing existing hierarchy with "natural" hierarchy, which will be based on competence, settling values acceptable for organization and power, which will be formed proportionally with enforcement done for organizations success.
- Clearly formed perspective and easy for employees to understand, reducing fear and increasing faith between people, which will help to provide healthy atmosphere.
- Caring for increasing employees' intellectual potential, for creating comfortable working place and showing their creative character to use for organization.
- Considering employees competence, for their maximal participation in decision making and realizing organizational issues.

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<sup>154</sup> <http://www.theoryi.com/about-us/philosophy/philosophy.html>, <http://www.theoryi.com/who-for/who-for.html>

Effective leadership style provides effective realization of abovementioned problems, choosing this kind of leadership style is depended on “employees’ moral developing stage”, character of activity and criteria of organizational culture.

a) **Influence of employees moral developing stage on leadership style**

Authoritarian management style is implemented in organization, in cases, when employees’ behavior is stipulated with private interest and severe rules existed in organization, and behavior is caused by fear of punishment (Illustration 1)

	First stage of Development	Main Stage of Development	Next Stage of Development
Leadership Style	Authoritarian	Democratic	Transformative/Service
Employees Behaviour	Executing Mission	Group Work	Participating in Management Process

Illustration 1

Mutual dependence between the stage of employees moral developing and leader’s management style. Two types of authoritarian style are known: exploiter-authoritarian and favorable-authoritarian.

Exploiter-authoritarian management style is typical for autocrat leader, which runs organization severely and individually. This kind of leadership style is successfully used for managing employees described in D. McGregor’s ”X” theory.

Favorable-authoritarian management style is for leaders who give their employees motivation and limited right in decision making process, despite their individual leadership style. In case of initial developing stage, authoritarian management style leader is necessary [Kohlberg L. 1995].

On the main stage of developing, it’s advisable to exercise democratic leadership, when employee acts according to expectation of encirclement, honestly does its duties imposed by social system. In such case, leader is much more interested in employees’ interests and possibilities, listens and analyzes advises but is individual in decision making process. Sometimes, gives freedom in decision making on less important activities.

Next stage of development considers person’s activities according to his kindness and justice, accordingly seeks for ways and methods of ethical dilemma, and defends balance between private and public interests. In such case, transactional leader is optimal. This kind of leadership style means mutual faith, absolute participation of employees in decision making process. This kind of leadership style is usable for employees described in D. McGregor’s ”Y” theory.

Transformative leader has good knowledge of employees’ possibilities, needs and demands and considers their skills at its best. Has communication skills and ability to realize novelty, which is good for evaluate problem from each side and for innovative decision making. Transformative leaders are enforced for changes in organization, which means first of all to change employees working mood, directing them for doing necessary activities. Transformative leaders directs whole process of changes, starting from forming aims and mission, organizational culture and structure and finishing with innovative ideas and receiving production. Transformative leaders do their job according to existing rules and at the same time they use innovative approaches. New vision of transformative leaders is somehow motivation for employee for his future activities. Besides, communication based on faith is additional motivation, which helps executing duties on high level and achieving results [James MacGregor Burns, 2012]. It’s ascertained that, transfor-

mative leader has influence on internal compensate and it helps to enforce employees' for doing planned job.

**b) Influence of activities character on leadership style.**

According to situate leadership, [Hersey P., 1985], character of activities has important influence on leadership style. In routine kind of organization authoritarian or democratic leaders are appropriate. The more interesting the work is and the more creative approaches are necessary for executing activities, hiring transformative leader is much more convenient. (Illustration 2)

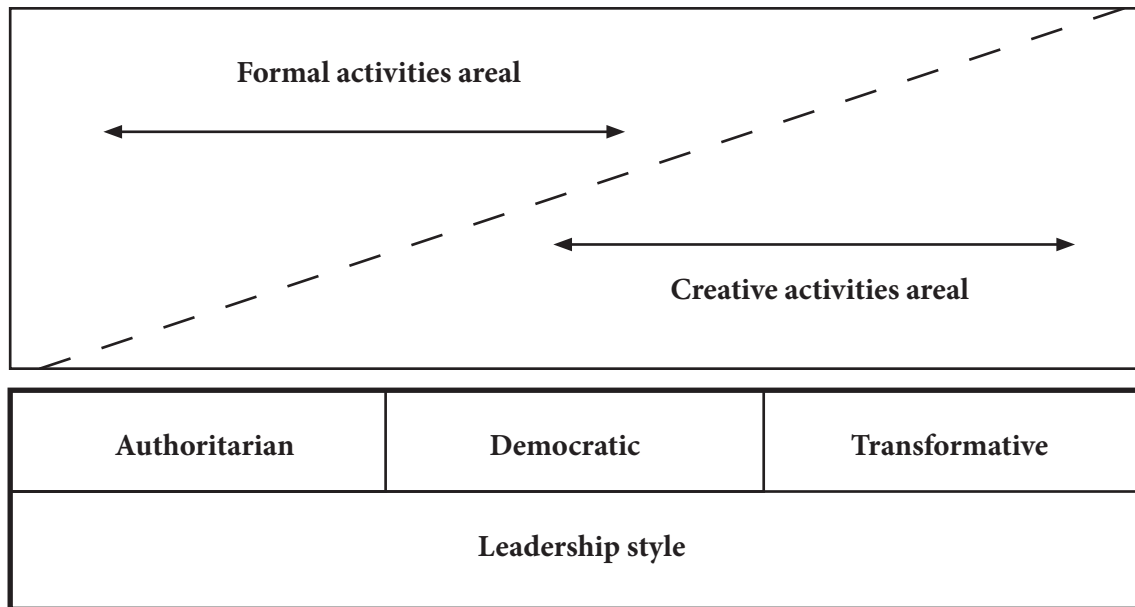


Illustration 2: Influence of activities character on leadership style.

**c) Dependence of leadership style on the type of organizational culture**

Kim Cameroon and Robert Queen have formed types of organizational culture, such as bureaucratic; clan type; autocrative; adhocrative, according to people's disposition on these characteristics: flexibility and stability; integration and differentiation.

**Bureaucratic culture**

German sociologist Max Weber has formed main signs of this culture, those signs are:

- Strictly determined hierarchy;
- Rules;
- Specialization;
- Choosing employees according to concrete criteria;
- Impersonalized structure;
- Formed procedures and scrupulous registration of data;
- Dividing resources purposely.

Bureaucratic (hierarchical) culture is fit for small organization is stable environment [Max Weber, 1947]. Bureaucratic (hierarchical) culture is very common in governmental structures and it requires:

- Displaying organizer characteristics and co-ordinate skills from organization leader;
- Stable, rentable and expected future, which is important for long-term and non-stoppable development of organization;
- Forming organization as a whole structure, also appropriate leadership style, achieving acting policy and unity of formal rules.

### **Clan type culture**

A criterion of this type of culture was formed as a result of Japanese management experience [W.C. Ouchi, 1981]. It's typical for clan type culture [J. Linkoln, M. Hanada and J. Olson 1990]:

- Recognition of united value system by all members of organization;
- Existence of unite goals;
- Unite;
- Participation;
- Maintaining individuality;
- Perceiving organization as a space of harmonic coexistence.

Clan type organization acts as a big family. Generally, it's typical for clan type organization group working; corporate responsibility; collective forms of payment; existence of quality management groups; high autonomous of subdivisions, as on the stage of group forming and also on every stage of activity. Main thesis of clan type culture is:

- It's easy to resist external influence jointly;
- It's possible to increase employees activity's quality by rising his qualification;
- Customer is perceived as a partner;
- Organization acts with humane principles and creates environment, that is comfortable for fruitful activities and interrelation for employees;
- The main sum of management is to delegate from manager to employee as much responsibility as its possible, for including employees to do their job better and participating in decision-making process.
- For increasing activity's effectiveness, it's important to decrease management levels;
- Manager should be very close to its employee. He should be in the role of tutor, for assisting them to show their possibilities better and forming group-working aspiration.

With the influence of Japanese management, implementing clan type culture in organizations started from 60<sup>th</sup> of past century, at first in USA and then is European countries as well. The practice showed, that correctly formed clan type culture provides basis of successful activity, even in changeable environment.

### **Autocrat (powerful) culture**

Autocrat culture (sometimes known as powerful culture) gives possibility to react on external challenges, by mobilizing internal possibilities maximally. That's why it has huge areal of usage. Scientists have researched characteristics of autocrat culture for almost one century. In 60<sup>th</sup> of 20<sup>th</sup> century, Oliver Williamson stated main thesis of autocrat organizational culture [O. Williamson, 1975]:

- In organization (or in group) the dominant is leader, which has power on his employees and manages the organization individually;
- Enforcement culture requires autocrat leadership style to be exercised in the organization;
- There is lack of formal rules and procedures, but employees mainly plead informal rules and behavior norms;
- Leader makes decisions individually and has control over his employees activities;
- In organizations where autocrat culture is exercised well, leaders are considered to be talented, skillful, and they are mostly appreciated by others.

Leaders' characteristics and support from employees stipulate organizations successful activity. Autocrat leadership culture has its advantages:

- It's good for organizations win critical condition;
- Fast decision making is possible;
- In competition environment autocrat leadership is very effective;
- Gives possibility to mobilize resources quickly;
- It's effective in small or medium organizations especially;
- It's oriented on concrete results.

Disadvantages of autocrat leadership:

- It's less effective in big and complicated organizations;
- Doesn't give employees' possibility to show their initiative;
- It's hard to maintain tense working regime for long time;
- Organization's activity is mainly depended on one person's possibility, skills and mood.

### **Adhocrat culture**

In 21<sup>st</sup> century, for achieving success, organizations need to satisfy new requirements, and the most important is [Peter Drucker, 1999]:

- Innovativeness;
- Replenishing organization with people having professional knowledge, valued intellect and innovatory characteristics and creating comfortable environment for them;
- Having perfect strategy and flexible structure for reacting on external influence;
- Using the newest informational technology;
- Providing with corresponding resources.

Fruitful implementation of first three requirements is depended on organizational climate existed in the organization, which:

- Gives employees conditions for their maximal realization;
- Provides employees participation in organizations' management process;
- Reduces conflict situations between employees and avoids them from stressful situation;
- Helps organizations to adapt with external influences and gives them opportunity for development.

These are the main characteristics of adhocrative culture, which means specialized, dynamic and up to time organization. The main object of adhocracy is:

- Providing with timely react and adaption with external influences;
- Maximal flexibility in decision making process, forming organizational structure, motivating employees, controlling, coordinating while executing management activities;
- Creating fruitful working environment for employees;
- Providing creative approach to work;
- Acting according to concrete situation.

Organizations with adhocrative culture mainly work in spheres like: producing high technologies, program maintenance, consulting service, producing and commercializing innovation.

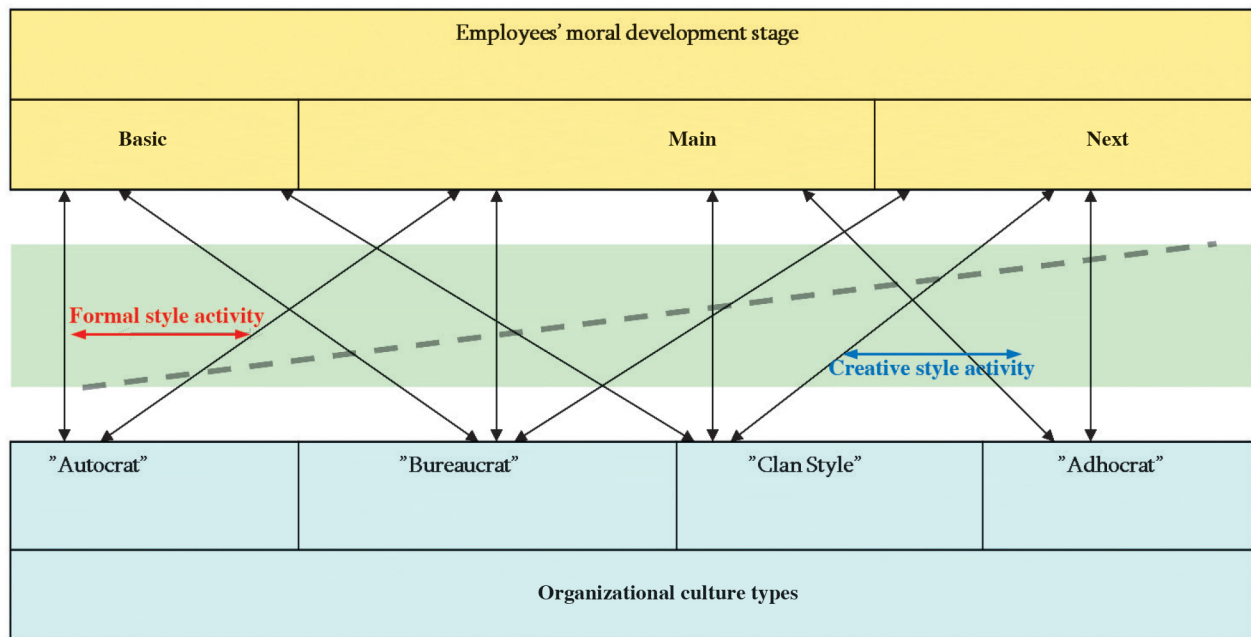
Characteristics of adhocrative organizations are:

- Decentralizes management system;
- Democratic-liberal management style;
- Power based on knowledge (foreseeing employees experience and charisma);
- Flexibly organization structure;
- High individuality of employee and also creativity, innovatory, mutual changing skill, disposition to researches and risks, striving for unity.

Adhocrative culture as a subculture is successfully used in different organizations, which helps realizing activities on high level [R. Quinn, 1988]. Once again it underlines adhocrative cultures' dynamic, result oriented character, which is very necessary for modern organizations to act in existing reality.

So, we can determine effective leadership style by "employees' moral development stage", "activities character" and "organizational culture criteria". For example, we can use autocrat leadership style on the first stage of employees' development. Sometimes, bureaucratic culture, rarely clan style culture, or democratic style is used on main stage of employees' moral development stage (illustration 3). For this formal or creative activity is possible, so we can use either autocrat or adhocrative, clan style, bureaucratic organizational culture. In case of using transformative management style on the next stage of employees' development, because of the need of creative activities, bureaucratic, clan style or adhocrative organizational cultures are necessary.

With above mentioned, simple method, from type of organizational culture, employees' moral development stage and variety of executing activity, we can define the most proper leadership style, which will help forming healthy organizational relationships, utility of employees maximal possibilities and this will raise effectiveness of organizations activity.



**Illustration 3** mutual relations between employees' moral development, character of activity and organizational culture types.

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## Method of approach for choosing effective management style

*Annotation*

**Nino Machavariani**

*Tbilisi State University*

*Student of the Master degree of the faculty of the Social Sciences*

*Instructor: Shalva Machavariani, Ph.D*

The paper foresees selecting optimal leadership style and determining its instillation terms for Georgian organizations, considering their specification of activities and produced demands to contemporary structures.

Success of organization is partially depended on personnel's fruitful activity, for that comfortable work place and reciprocal atmosphere is needed, for displaying their maximum possibilities for future effective uses.

Creating comfortable working place for personnel is possible by choosing adequate type of organizational culture and precisely introducing, considering peculiarity of work position, according to the possibility and psycho type of personnel.

The role of leader is decisive in organizations for executing these activities. For this, it's necessary to choose the leader according to his leadership style, which must be in accordance with inculcated organizational culture, which creates guarantee for successful and fruitful execution of activities.

Using human resources of full value, rising intellectual potential of employees and creating organizations with creative plurals is in accordance with contemporary principles of forming organization, which gives this paper actuality.

Forming organizational culture, determining valued criteria and methods of choosing leadership styles for organization are used for the research.

# Modern Technologies, Innovations, Entrepreneurship and Sustainable Development in the Southern Caucasus

**Michael Barseghyan**

*Russian-Armenian (Slavonic) University*

*Student of the first course of Master's Degree of the faculty of Financial Economics*

*Instructor: Mariam Voskanyan, Ph.D, Prof.*

## **Introduction**

The importance of innovation and entrepreneurship, as the key factors of economic growth, is a subject of great interest nowadays. The success of transitional economies, such as Georgia, Armenia and Azerbaijan, is closely linked to entrepreneurial activity. Schumpeter (1911) pointed out over one hundred years ago that entrepreneurship is crucial for understanding economic development. Simply we can say that entrepreneurship is the art or science of innovation and risk-taking for profit in business, the quality of being an entrepreneur. In the economies, which are in the early stage of transition, entrepreneurship plays very essential role in creating industries and reanimate those which were stagnant, under socialism (Berkowitz and DeJong (2004)). So we can say that growth can be attributed the following fundamental forces: an increase in the factors of production, improvements in the efficiency of allocation across economic activities, knowledge and innovations.

The main hypothesis of the paper is that innovation and entrepreneurship are positively related to GDP growth.

In order to prove or deny the hypothesis we accomplish several steps. Firstly we consider the dynamic of the main determinants of the entrepreneurship activity. In the second part we describe the firms' innovative activities at the current period. And finally the third part of the research is estimation of the relationship between entrepreneurship, innovation and economic growth of the considered countries. And finally taking into account all the results we can make our suggestions and predictions on the following steps which should be taken in order to bring economics of the region to the new level of development and provide sustainability.

The methodology is based on methods of analysis and synthesis, of interpretation, econometric calculations and relevant comparisons. The research results indicate that entrepreneurship from the viewpoint of the perspective of innovations and modern technologies, as considered in the research, is part of the support system for stable economic development, as entrepreneurial enterprises are widely recognized as a driving force for innovation and competitiveness, as one of the key factors for achieving the sustainability. The research may be particularly important for both researchers and policy makers and offers opportunities for future studies on the subject.

## **1. Determinants of Entrepreneurship**

Considerable advances, even breakthroughs, have been made during the last decades in our understanding of the relationship between innovation and growth on one hand, and entrepreneurship and growth on the other. Similarly, more profound insights have also been gained as to how entrepreneurship and innovation are interrelated. Yet, a comprehensive understanding is still lacking concerning the inter-

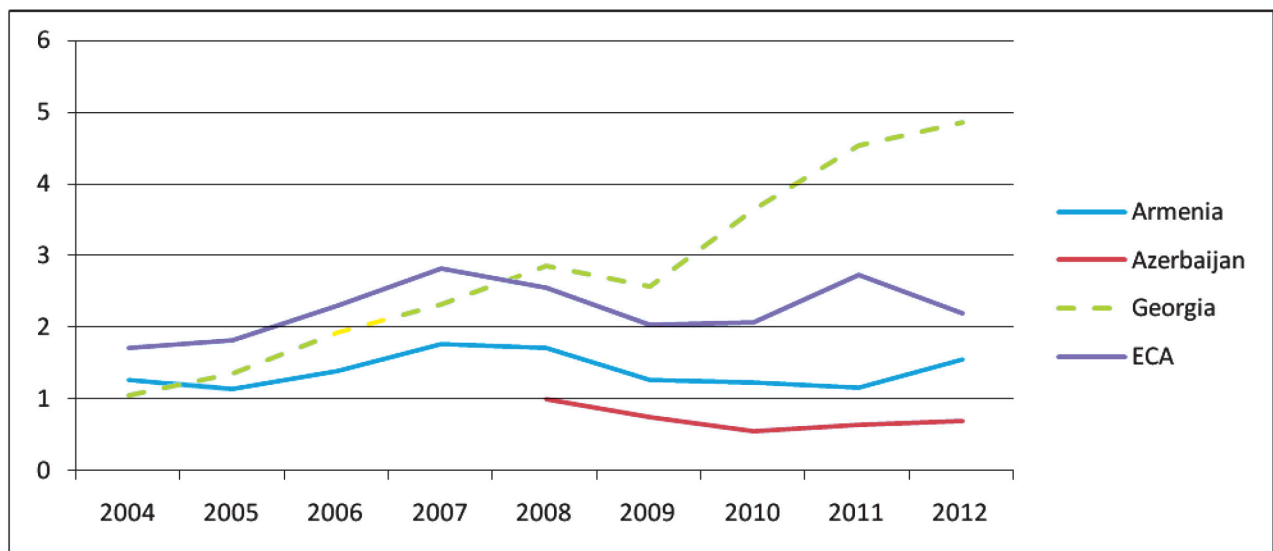
face of all of those variables: innovation, entrepreneurship and growth.

Taking into account all of the above mentioned arguments the estimation process of the relationship between the listed variables become more complicated in the situation when we consider transition economies.

A growing body of national-level survey evidence indicates that entrepreneurial activity is a critical source of growth in post-socialist economies. Entrepreneurs operating small businesses have managed to rapidly fill niches that were ignored under socialism in industries ranging from construction, trade, commerce, small-scale manufacturing and services. In many post-socialist cities, entrepreneurs have thrived even though their plants and equipment have been poorly protected; their contracts have been poorly enforced; their taxes have been high and the regulations they face have been burdensome; they have routinely been forced to make extra-legal payments to local mafias and government organs for protection; and they have had limited sources of external finance (Frye and Shleifer, 1997; Johnson, McMillan and Woodruff, 2002).

Starting the analysis we must consider some indicators of the entrepreneurial activity in the selected economies, in order to provide the following analysis of relationship between innovation, entrepreneurship and economic growth.

The first variable is new business density The World Bank Entrepreneurship database provides data on formal firm entry density. “Entry density” is the number of newly registered companies per 1,000 working-age (ages 15–64) population. The database does not account for informal firms and measures only private, formal companies with limited liability. Firm entry density varies across Armenia, Azerbaijan, Georgia, and Europe and Central Asia (ECA) as a whole.

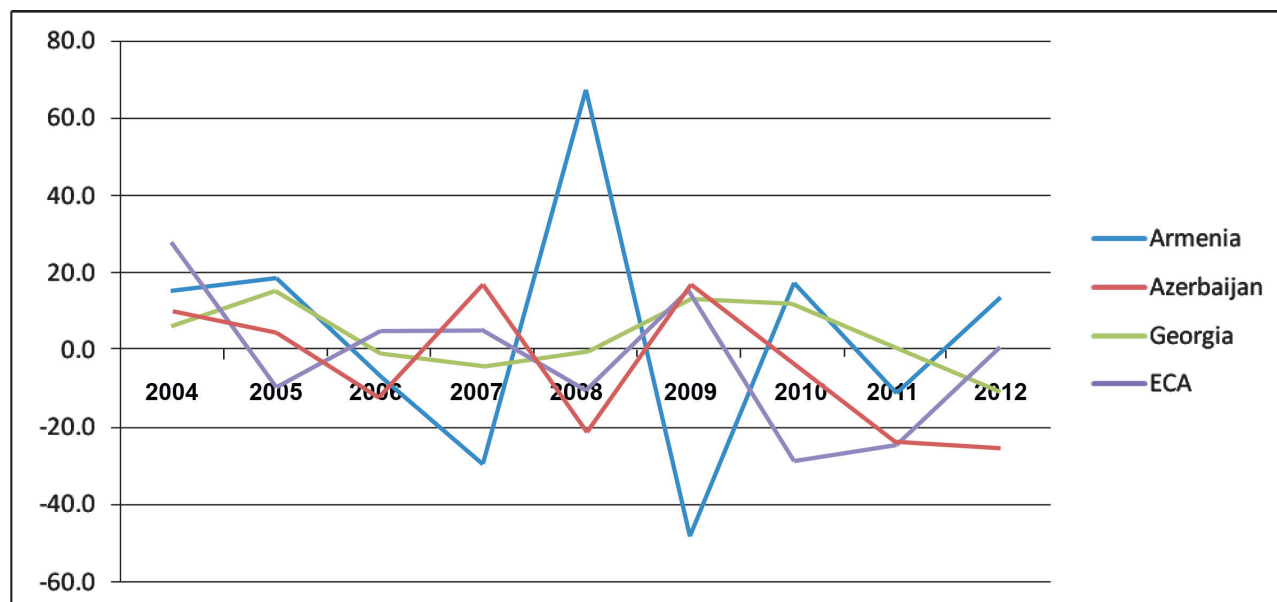


**Figure 1. New Business Density**

Source: The World Bank

As we can see from the Figure.1 the highest growth rate of the new business density from 2005 was in Georgia. And even after the crisis that growth rate continued to outpace not only the other countries of South Caucasus but also the average indicator of the ECA countries. The next graph shows us the percent change in number of patent applications by residents. Here we can see that unlike the oth-

er countries until Financial Crisis in 2008 Armenia had serious fluctuations by this indicator, which is connected with the increase of may be explained by the rate of economic growth which was 13.8% in that period and other positive dynamics of macroeconomic indicators, and besides during that period expenditures of private firms on R&D were twice as higher than now.



**Figure 2. Patent Applications**

Source: The World Bank

## **2. Innovation activity**

Here we use data from World Bank's Enterprise Surveys in order to explore the level of entrepreneurial activity in the firms in each of the countries of the Southern Caucasus. The entrepreneurial activity of the firms is measured by their innovative activity. For accomplishing this task we analyzed 4 types of innovative activity: producing of new products and services by the establishment in the last three years (product innovators); upgrading an existing product or service by the establishment in the last three years (process innovators); investment in the research and development in the last three years; using technology licensed from a foreign-owned company.

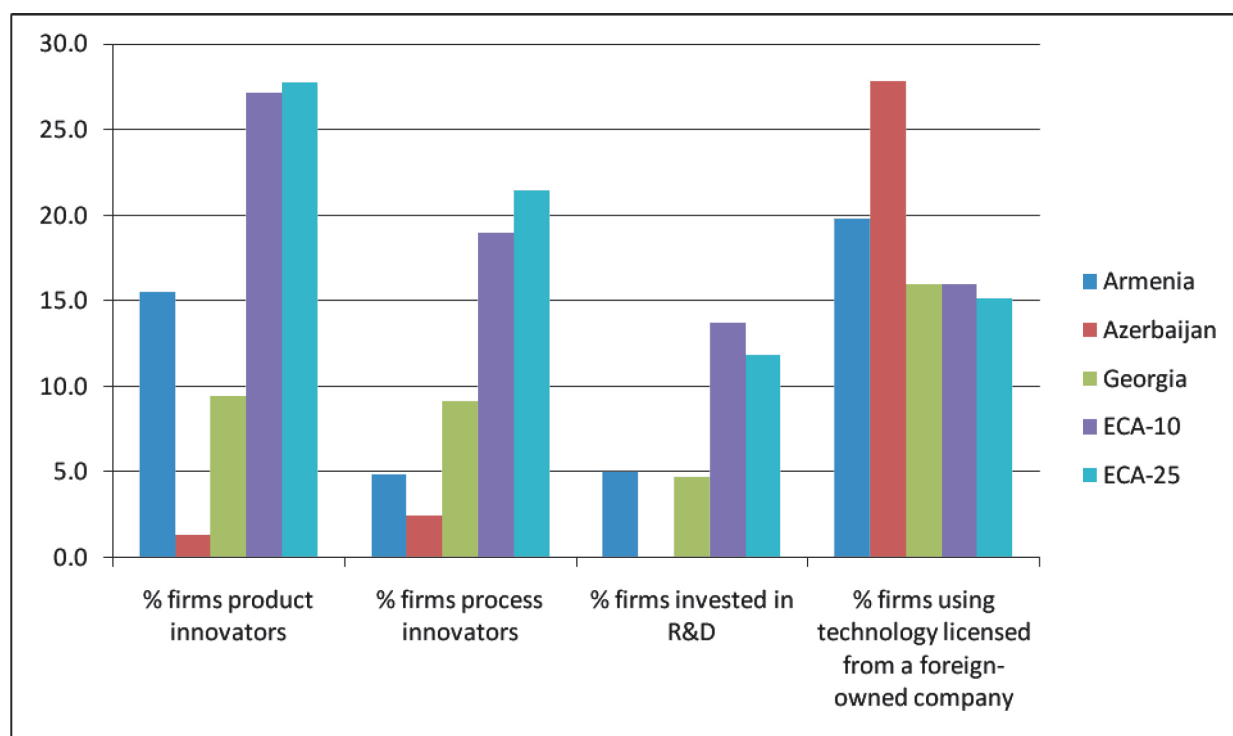
These data have been received from surveying nearly 400 firms in Armenia, Georgia and Azerbaijan, which are evenly distributed by sectors.

Innovation activities of the three above mentioned countries of the Southern Caucasus are compared with the group of 10 and 25 Europe and Central Asia (ECA) countries. The ECA-10 includes the following countries: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic, Slovenia, Russian Federation and Turkey.

The most common type of innovation activity across the countries of the South Caucasus and other ECA countries is process innovation. As we can see in the Figure.1 firms of the ECA-25 countries use less technology licensed from foreign companies (15%), and instead of it they are trying to enlarge product (27%) and process innovations (19%), as long as the countries of the South Caucasus are more likely to use technology licensed from foreign companies and the share of product and process innovation activity is more than twice less than in the countries of ECA-25. The same we can say about investments in R&D,

which is generally one of the most crucial factors of innovative activity.

If we compare this data with the one which was presented in the results of similar dynamic analysis in the World Bank's series of researches (in these researches they used 2009 data set) we can see that almost all of the indicators in ECA-25 and also in Armenia, Azerbaijan and Georgia have decreased. So we can say that after the financial crisis expenditures, investments have been reduced which lead to the decrease of product and process innovation activities.



**Figure 3. Innovation rates by Country**

Source: World Bank Enterprise Surveys

If we consider these indicators according to the firm size we can see that in Armenia and Georgia the largest part of product innovations are small and middle size firms, but in Azerbaijan the leaders by this are large companies. Speaking about process innovation we can emphasize that the structure is the in all of the countries: the main part of process innovations goes to small and medium size firms. The indicator doesn't have any similarities with the other ones: we must consider the difference of R&D expenditures. Here we can say that that the statistics is roughly different, because in Armenia share of investments in R&D by large companies is lower than the levels that small and firms have, In Georgia the situation with R&D expenditures are completely opposite, as here the share of the large companies is higher. In Azerbaijan according to World Bank Enterprise survey from nearly 400 firms 0% said that they have invested in R&D during the last three years. And the last variable is licensing foreign technology which almost has the same structure in the considered countries.

The next step is to estimate the relationship between entrepreneurship, innovation and economic growth.

## Methodology

The model used for hypothesis testing is an extension of the neo-classical growth model based on a variant of the Cobb–Douglas production function with Constant Return to Scales. Here is the derivation of the estimation model from the Cobb–Douglas production function.

Cobb–Douglas production function general form:

$$Y = A^o K^\alpha L^\beta,$$

where Y = output;  $A^o$  = disembodied factor productivity; K = stock of physical capital; L = labor employed.

Dividing both sides by L:

$$\frac{Y}{L} = A^o K^\alpha L^{\beta-1}$$

Multiplying right hand side by:  $\frac{L^\alpha}{L^\alpha}$  :

$$\frac{Y}{L} = A^o \left(\frac{K}{L}\right)^\alpha L^{\alpha+\beta-1}$$

Assuming Constant Returns to Scale,  $\alpha + \beta = 1$ . Hence

$$\frac{Y}{L} = A^o \left(\frac{K}{L}\right)^\alpha.$$

Taking natural logs on both sides:

$$\ln\left(\frac{Y}{L}\right) = \ln A^o + \alpha \ln\left(\frac{K}{L}\right).$$

Take first differences in order to obtain growth in  $Y/L$  as the dependent variable. For small % changes,  $\Delta \ln \frac{Y}{L} = \% \text{ change in } \left(\frac{Y}{L}\right)$

$$\Delta \ln\left(\frac{Y}{L}\right) = \Delta \ln A^o + \alpha \left[ \Delta \ln\left(\frac{K}{L}\right) \right].$$

We assume the growth in disembodied factor productivity,  $A^o$ , to be explained by stock of knowledge capital (technological innovation) and entrepreneurs (Total entrepreneurial activity rate):

$$\Delta \ln A^o = B^o + \phi Pat + \lambda NBD.$$

where  $B^o$  = Constant; Pat = patent intensity (patents per dollar of GDP) measuring Technological Innovation Intensity; NBD = New business density measuring Entrepreneurship Rate.

Substituting (4) into (3):

$$\Delta \ln\left(\frac{Y}{L}\right) = B^o + \phi Pat + \lambda NBD + \alpha \left[ \Delta \ln\left(\frac{K}{L}\right) \right].$$

For cross-country context, we also include the base year value of  $\left(\frac{Y}{L}\right)$ , in order to control for the convergence effect of lower income nations having faster growth rates:

$$\Delta \ln \left( \frac{Y}{L} \right) = B^o + \beta \ln \left( \frac{Y}{L} \right)_{t-1} + \alpha \left[ \Delta \ln \left( \frac{K}{L} \right) \right] + \Phi Pat + \lambda NBD.$$

When operationalizing the model for estimation, we use

$$\Delta \ln \frac{Y}{L} = \% \text{ growth rate in } \frac{Y}{L} \text{ and}$$

$$\Delta \ln \left( \frac{K}{L} \right) = \% \text{ growth rate in } \left( \frac{K}{L} \right).$$

The generic form of regression model used is:

Rate of	Base year	Growth	New Firm	Technological
Economic = $\alpha_0 + \alpha_1$	GDP per	+ $\alpha_2$ in capital	+ $\beta_1$ Creation	+ $\beta_2$ Innovation
Growth	worker	per worker		intensity
	Controls		Predictors	

*Rate of Economic Growth* is measured using the growth in GDP per employed person. GDP and employed persons data are obtained from the World Bank database.

*Base year GDP per worker* is included to control for the “conditional convergence” effect described by Barro (1991) where, in cross-country regression models, high-income countries experience lower rates of growth. The sign of the coefficient  $\alpha_1$  is expected to be negative. In the estimation equation, this variable enters in logarithmic form.

*New Firm Creation* is measured using new business density indicator computed from The World Bank database.

*Technological innovation intensity* is measured using the ratio of patents to GDP.

### **Estimation results**

The equation constructed for hypothesis testing is estimated using linear least squares regression.

As a result we have reasonably defined equation, with significant F statistics and adjusted R squared is close to 50%. The control variables are significant and explain around 52% of national economic growth in the 26 countries. The negative sign on base year GDP per worker confirms the convergence effect with lower income nations experiencing higher GDP growth rates. Growth in capital per worker is as expected a significant and positive determinant.

Our hypothesis, that innovation and entrepreneurship are positively related to GDP growth, is supported. Regardless of the measure of entrepreneurship used, technological innovation intensity is found to be a significant and positive determinant of GDP growth.

### **Conclusion**

Having a higher degree of entrepreneurship or new business creation prevalence does not guarantee enhanced economic performance and faster rates of economic growth. This is seen from the relative insig-

nificance of the NBD rate which defines entrepreneurship in broad terms: the propensity to be involved in start-up attempts and to manage-own newly created businesses. But at the same time as we mentioned above innovation intensity have significant role in GDP growth.

Governments can support entrepreneurial activities in a variety of ways. At the most basic level, effective government policies can create an institutional base that establishes openness to trade, improves the business environment for domestic and foreign investment, establishes effective intellectual property rights regimes, and enhances knowledge flows and learning. Beyond those general policies, many governments have also intervened at the industry and firm levels to address market failures.

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3. Smita K. (2013), Fostering Entrepreneurship in Azerbaijan;
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11. David B. Audretsch and Mark Sanders (2009), Technological Innovation, Entrepreneurship and Development;
12. Elena Nikolova, Frantisek Ricka et.al. (2012), Entrepreneurship in the Transition Eegion: An Analysis Based on the Life in Transition Survey;
13. Data used from <http://www.enterprisesurveys.org/>
14. Data used from <http://data.worldbank.org/indicator>

## Appendix 1

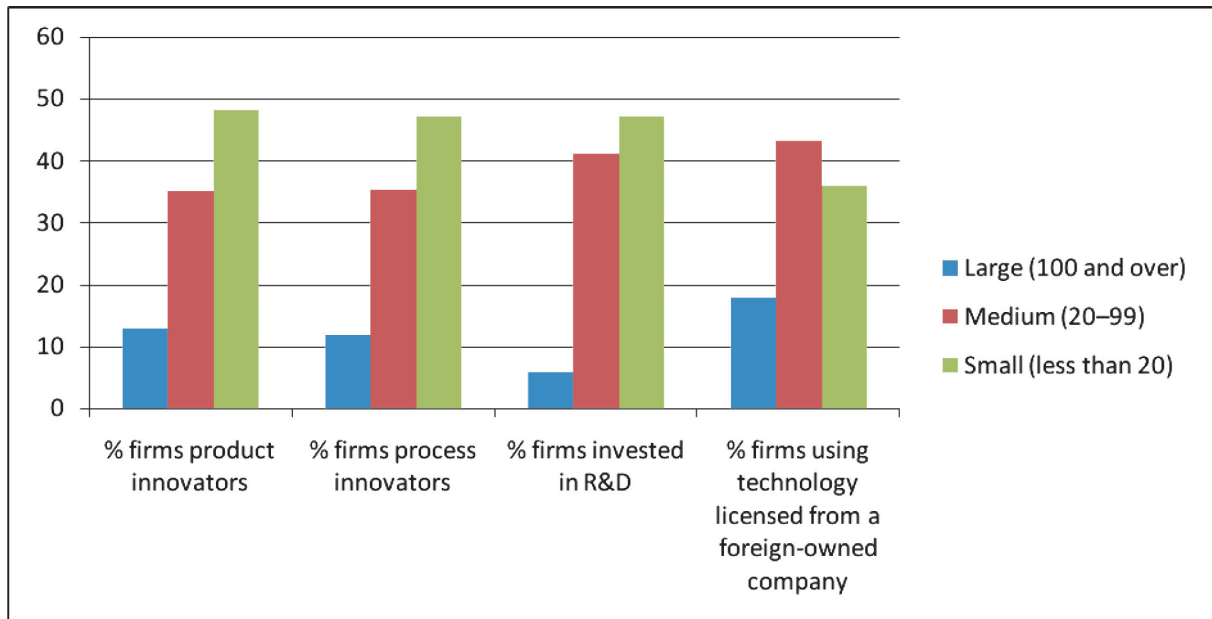


Figure 4. Innovation by Firm Size (Armenia)

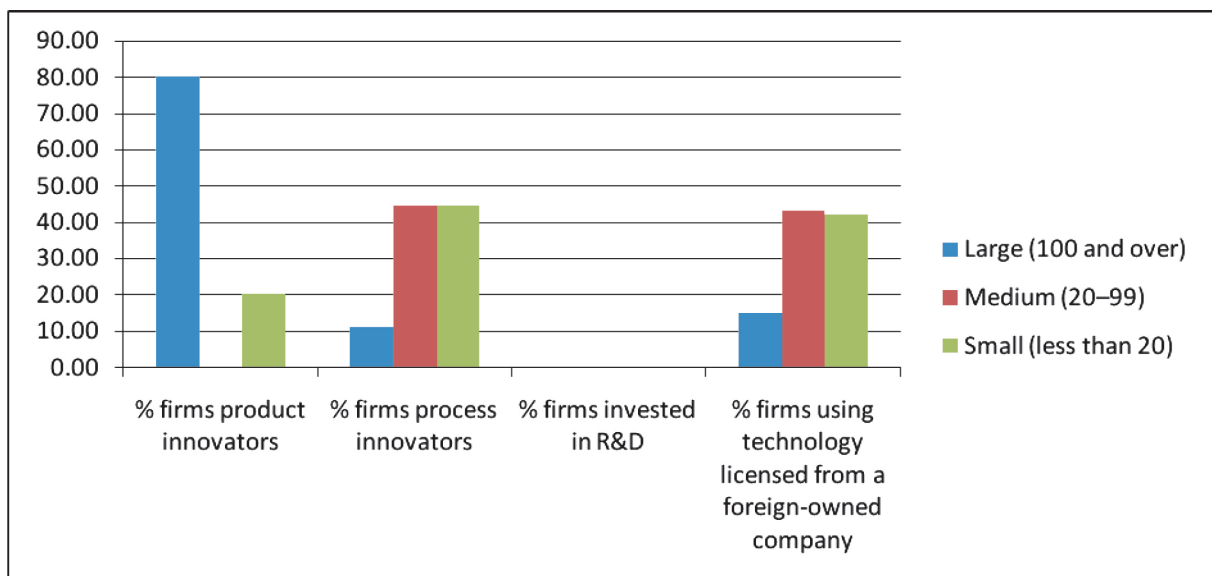


Figure 5. Innovation by Firm Size (Azerbaijan)

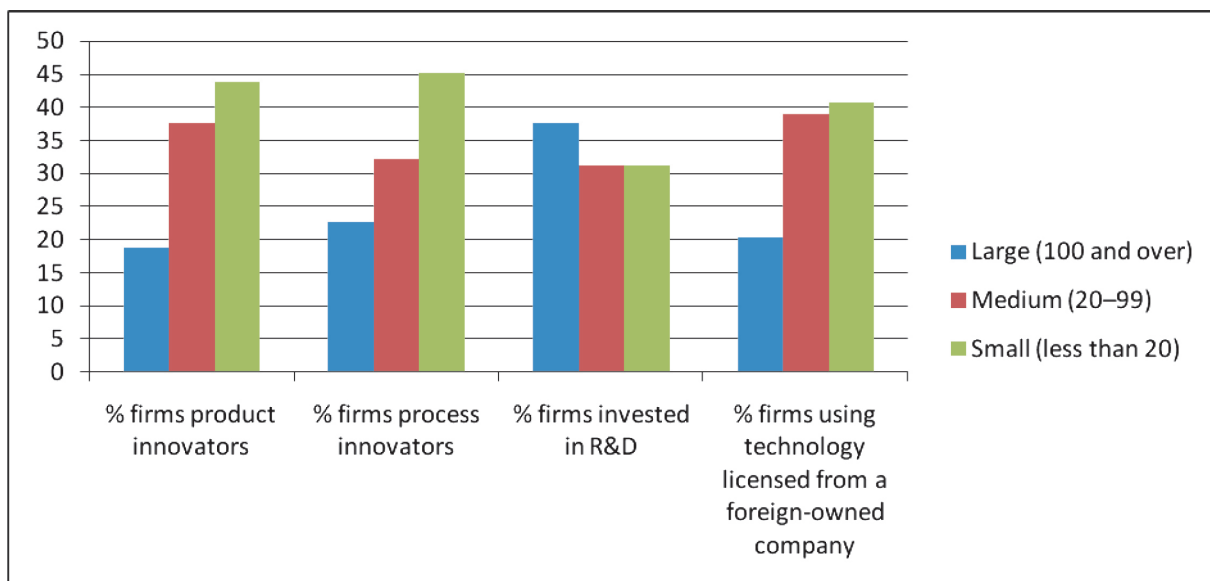


Figure 6. Innovation by Firm Size (Georgia)

## Appendix 2

Result of linear regression		
df = 26		
	Value	
R sq	0.476	
Adj R sq	0.528	
F change	3.099	**
F	14.637	**
Control variables		
Log of base year GDP per worker	-2.665	**
Growth in capital investment per worker 2008/2009–2011/2012	-1.751	**
Predictors		
Entrepreneurship (NBD)	0.427	*
Innovation (Ratio of USPTO granted Patents to GDP 2008–2012)	0.908	**
Dependent variable = growth in GDP per worker 1997/1998–2001/2002.		
* Significant at 10%.		
** Significant at 5%.		

### Schedule 1. Regression results

# Modern Technologies, Innovations, Entrepreneurship and Sustainable Development in the Southern Caucasus

*Annotation*

**Michael Barseghyan**

*Russian-Armenian (Slavonic) University*

*Student of the first course of Master's Degree of the faculty of Financial Economics*

*Instructor: **Mariam Voskanyan, Ph.D, Prof.***

The success of a transition and developing economies is closely linked to entrepreneurial activity, which in its turn depends on modern technologies and innovations.

The nexus of modern technologies, innovations, entrepreneurship and development is a subject of great interest nowadays, as society is looking for solutions which lead to sustainable development. Given this context, the paper aims to estimate the relationship between listed factors and sustainable development in the Southern Caucasus.

In this paper we firstly make literature overview and analyze the developing and developed countries where technologies and innovations had serious impact on the development of entrepreneurship and hence following reflection on the economic growth. In the second part we describe the degree of innovation potential and the usage of modern technologies as factors of entrepreneurship development of the Caucasus region countries. The third part of the research is estimation of the relationship between entrepreneurship and economic growth of the considered countries. And finally taking into account all the results we can make our suggestions and predictions on the following steps which should be taken in order to bring economics of the region to the new level of development and provide sustainability.

The methodology is based on methods of analysis and synthesis, of interpretation, econometric calculations and relevant comparisons. The research results indicate that entrepreneurship from the viewpoint of the perspective of innovations and modern technologies, as considered in the research, is part of the support system for stable economic development, as entrepreneurial enterprises are widely recognized as a driving force for innovation and competitiveness, as one of the key factors for achieving the sustainability. The research may be particularly important for both researchers and policy makers and offers opportunities for future studies on the subject. It's also important to mention the works of Mohammad Farooq Hussain et al. (2011), Mihaela Kardos (2012) and David B. Audretsch and Mark Sanders (2009) which created the framework for this research.

# Modern innovations of anti-corruption regulation in Southern Caucasus

Alexander Petrosyan

*Russian-Armenian (Slavonic) University*

*Student of the first course of Master's Program of Financial Economics faculty*

*Instructor: Mariam Voskanyan, Ph.D, Prof.*

## Introduction

Modern globalization processes have linked economic, political and social spheres in developed and developing countries. Every government, who's participating in such relationship, thinks of bringing as more use for the state as he/she can. Several ways of increasing effectiveness of economics are manufacturing goods and services, exporting more than importing (positive level of payment balance), dealing with the inflation level, reaching the ways of extensive and intensive production, etc.

But sometimes officials are trying to hide incomes or revenues gained after some operations, or use their power to avoid different acts that are written in constitution and reach own goals that contradict with the society's aims. They can also help their relatives give privileges they couldn't have before. Such ways of earning money and protection are called **corruption** and significantly decrease social welfare.

This adverse economic effect has one primary disadvantage in comparison with other indices and characteristics – its level cannot be calculated in one definite, right way. While we, for instance, can use production functions to understand how much resources (labor and capital) is needed to manufacture the amount of goods that will bring us maximum profit, the case of corruption is completely different. There are some indicators that approximately calculate its level across the world and in particular regions, but the results are not always reliable. Another problem is the versatility of corruption. This means that there can be no illegal actions in one sector, but a plenty of violations in the other ones. So, if government announces that corruption level in the middle income class is overcome it isn't the solution of the case. The big fraud can take place in the elite, which also lowers the distribution of social welfare.

Today several organizations are trying to decrease corruption level in developing and developed countries by conducting researches, surveys, giving advices to the governments who reform their legislation. We can name "Transparency International", Organization for Economic Co-operation and development (OECD), Group of States against corruption (GRECO, part of Council of Europe), also United Nations and World Bank. Each of them has its own program and strategies of lowering the level of corruption.

But as was mentioned before, there's no indicator that calculates the level of corruption in a right way. Some states (such as Romania, Singapore, New Zealand, etc) went through the process of reformation legislature and definitely succeeded in dealing with that adverse effect. Other countries still have a lot to do and implement such acts that prevent officials from taking bribes and protecting certain classes.

The main question of this paper's research is **what kind of modern anti-corruption instruments can help in surmounting this phenomenon in Southern Caucasus region?**

## **I. Modern corruption. Is there a way out?**

Corruption is one of the most complicated problems governments and organizations face today. This phenomenon is divided by various specialists into several types according to the spheres and situations it happens. As it states from “Introduction to Corruption” lecture from distance learning program “Youth for Good Governance” (The World Bank group), corruption can be of following types:

1. Bribery – amount of money given to an official to help in solving problems in easy way;
2. Nepotism – doing favor for friends, relatives, etc
3. Fraud – cheating with the government
4. Embezzlement – stealing government’s property or amounts of money

Besides this list, there are also administrative and political, grand and petty types of corruption. According to this lecture, corruption’s negative influence reflects on such indicators as children mortality and literacy rate are. The first one is three times higher, and the second index is about 25% less in highly corrupted countries than in low or middle corrupted ones. [1]

This part of working paper will consider countries which succeeded in overcoming the corruption or just lowered its level in several years. One of those states is **Romania**.

Romanian officials have worked a lot on implementing new legislative acts concentrated on anti-corruption system. A new strategy NAS was adopted in 2012 and will work for 3 years till 2015. This plan was elaborated after two unsuccessful documents, and it also included opinions and views of representatives of public and private sectors. The main idea of new program is in strengthening newly adopted rules, because all the institutions and main laws are working properly. The strategy also satisfies EU standards, and specialists also cooperate with GRECO staff. Despite of the fact that this system is mainly controlled by the Ministry of Justice, it co-works with the other ministries and organizations. Four main targets of investigation are: a) corruption in public institutions; b) corruption in education; c) corruption management through administrative and criminals methods; d) approval of sectors’ plans and monitoring NAS. Each part has its own objectives and works according detailed plan. Representatives of diverse classes of society meet once in two months to discuss and monitor present situation, find compromise solutions. At the end of agreed period organizations must report about persons who failed to meet minimal criteria of the strategy. Specially designed web portal also helps government in controlling of corruption and compiling reports. Romanian officials put target – reaching of Europe’s average corruption level by the end of 2014, meaning increase their CPI from 3.6 to 6.37 points (were 0 is totally corrupted and 10 is absolutely transparent). But absence of baseline which could be compared with achieved results can affect the whole evaluation process negatively. [2]

Another country that fights against corruption in recent decades is **New Zealand**. Robert Gregory speaks off about situation in this state and makes some comparative analysis to the nearest neighbor – Australia. As these two countries once were British dominions, they have much in common in political, economic, social and cultural background. In his work named “Assessing ‘Good governance’ and Corruption in New Zealand: ‘Scientific’ measurement, Political discourse, and Historical narrative”, the specialist talks about the results of aforementioned countries in TI’s Corruption Perception’s index. While Australia’s lowest position in 2000-2012 years was the 13<sup>th</sup> in 2000 and only joint 7<sup>th</sup> in 2012 as the highest one, New Zealand’s government went much further – 3<sup>rd</sup> position as the lowest one and leading first place during

2006-2012 years period (joint and alone atop). Keystone to such fascinating outcome was put about 100 years ago – the Public Service Act (1912). The problem of corruption in governmental levels in the second half of the XX century persuaded officials in reforming out-of-date legislation by activating the Official Information Act in 1982. The most interesting point of the situation was that society had no problems with the politicians, and their life level was high enough. The political elite of the country faced numerous cases of distorting information, taking bribes, and decided to eliminate this phenomenon. As we see, the will and power of senior persons had influenced a lot on the anti-corruption level in the state. This year Transparency International has published results on CPI for the previous year. New Zealand and Denmark took joint first place with overall 91 points (out of 100). [3] [4]

The next country that managed to cope with corruption and made successful steps in overcoming it was **Singapore**. Government headed by Lee Kuan Yew has changed state's development direction, and today this island is one of biggest economic centers in the world. Among various alterations an anti-corruption policy has also been held. Deputy Director in Operations from Corrupt Practices Investigation Bureau (CPIB) Koh Teck Hin in his article "Corruption control in Singapore" mentions political will as the primary accelerator of reformation. Only the severe control embedded by the government helped to defeat corruption in the last decades of the XX century. After the Minister of ruling party Wee Toon Boon was found guilty and accused in corruption operations in 1975, politicians got a great support from the society, and the process began to develop rapidly. Singaporean normative acts consisted of 4 pillars called 4A's:

1. Effective Anti Corruption **A**cts (or laws)
2. Effective Anti Corruption **A**gency
3. Effective **A**djudication (or punishment)
4. Efficient Government **A**dministration

Having elaborated new acts and created an agency – CPIB – state's government also tightened measure of punishment. For instance, one of private bankers, who has been accused in getting bribes (about \$150,000), appealed against the court's decision and got 15-month imprisonment instead of four. Thus, strict regulation is convenient for corruption's eradication in private and public sectors – such conclusion is made by Koh Teck Hin. [5]

We brought examples of three countries, where the level of corruption was definitely decreased in recent decades. Main points of achieving the goal are firm political will and acceptance of new legislative measures by society, its aiding in fight against this phenomenon. Other states must learn the lessons of past, share experience of Singapore, China, New Zealand, and Romania for the prosperity of their nations, as the situation in anti-corruption sphere in the world is not good enough. Transparency International reports that after conducting researches in the various countries they've gained the following information:

1. 27% of interviewed persons paid bribe in last 12 months to the officials working at institutions;
2. Police and judiciary branch are the most corrupted among other service types. 34% and 21% of people (respectively), who had a contact with these institutions, also gave bribes;
3. Most of interviewed do not think that their government is doing well in anti-corruption sector and believe that the situation is getting worse. Moreover, political parties are thought to be one of the most corrupted institutions;

4. The driving forces of modern corruption are private contacts and relationships (every two of three persons think this way). [6]

## **II. Corruption in the Southern Caucasus region.**

The second part of the working paper is dedicated to the recent situation in three countries of Southern Caucasus region: Georgia, Armenia and Azerbaijan. All of them will be considered by Istanbul Anti-corruption Action plan. It was launched in 2003 as a part of Anti-corruption Network (ACN) and is monitoring Eastern European and Central Asian states.

**Georgia.** Georgian political and social system has changed a lot since 2003, after Rose revolution. New acts and policies were implemented; they have totally changed relationship between government and society, business climate. New authority managed to cope with widespread corruption and diminish its level several times. Particularly, the quantity of administrative processes and their complexity were reduced. New legislation also had an impact on business sphere. The Tax Code (2011) included information about customs administrations, 6 taxes (there quantity was lowered), tax rates. Besides that, officials began to use web portals to gather information and monitor the situation (like tax-payers online registration). Public Service Halls were also opened to help people in getting diverse services. All this was done to get rid of corruption. As OECD reports, CPI increased from 1.8 in 2003 to 5.2 in 2012, putting the country in 51<sup>st</sup> place (out of 174) among the other countries. Thus, Georgia became leader in Eastern Europe and Central Asia. Today this indicator is higher than in group of countries of European Union. However, this adverse phenomenon is not finally overcome as representatives of international organizations and civil society talk about high-level corruption in the country. They justify their opinion with the defeat of the former leading party of Georgia – “United National Movement” (UNM) – to “Georgian Dream”. As it was mentioned before, business is developing in high pace today. We can see it by comparing country’s statistics in World Bank’s Doing Business index. Georgia was the 9<sup>th</sup> among 189 countries in 2013, while 7 years ago it was below first hundred – 112<sup>th</sup>. It made the biggest leap forward in overviewed region. Today it takes the 8<sup>th</sup> place with the help of improving taxation processes, international trade and resolving insolvency problem. As we can see, Georgian officials are on the right way, and here is some data in confirmation of that fact. For instance, less than 5% of interviewed by Transparency International people answered that they paid bribes to promote their affairs. About 60-80% of society thinks that an ordinary person can change a lot and achieve its goals, which is a very high indicator. The most corrupted institution of the state is judiciary. [6] [7] [8]

What steps were taken to overcome corruption after former Georgian president Eduard Shevardnadze’s regime? TI’s anti-corruption resource centre U4 have made some research on this topic. Here are the milestones in fight against corruption in Georgia:

1. Prosecution of high ranking officials – during 2003-2010 years about 1000 persons involved in government works were accused in pandering corruption.
2. New anti-corruption legislation, strategy and action plan with zero-tolerance policy (beginning in 2005).

3. A new program of reforming police as one of the most corrupted institutions before – the staff was cut on a half, and 15.000 workers were fired. Traffic Police was released as it also was highly corrupted branch. The new people, who were prepared and trained in criminal law and procedure codes, were selected to serve in Georgian police. Their salaries increased significantly.
4. Changes in public sector and tax reformation – 50% of people involved in public sector also have lost their job, but the others, who successfully passed this rigorous selection were paid 15-times raised salaries. Illegal trading, petty bribery in licensing business and registering property were almost eradicated. As mentioned above, taxes quantity was reduced from 21 to 6, making business processes for local and international companies easier.
5. Changes in FDI – anti-corruption processes have helped to foster the flow of foreign direct investment (FDI) in Georgia. As World Bank's database states, amounts of money between 2002 and 2003 changed nearly twice (from 160,211,960 US\$ to 334,649,091 US\$). The peak of activity of investors throughout the world was in 2007 – more than 1.8 billion US\$ were injected in country. After August War in 2008 for Abkhazia and South Ossetia accompanied by World's Financial Crisis this flow began to slow down, and nowadays FDI to Georgia are about 1.02 billion US\$. [9] [10] [11]

We can conclude that policies against corruption, adopted in Georgia from 2003 till nowadays, are mostly efficient, and this result is recognized by famous organizations (such as Transparency International, World Bank, U4 group). However, society is still concerned about corruption in high-level circles and strives to eliminate it.

**Armenia.** Istanbul Anti-Corruption Action Plan has been also implemented in Armenia, but achievements in fight against corruption are miserable as the reports state. While OECD has held the third round of monitoring and evaluated the situation in Georgia and Azerbaijan in last three years, the latest report about Armenia is the second round of monitoring, analyzing results from 2003 to 2011. The latest Action plan developed in 2009 had 240 types of actions in different areas and involved new preventions and restrictions. But the implementation of these acts is still not conducted to the end. More budgetary funds, stronger political will and administrative support are needed to fulfill the objectives. Monitoring organizations – the Anti-corruption Council and the Anti-corruption Strategy Implementation Monitoring Commission – have a lack of experience and systematic approaches to calculating methods of corruption; staff, working on this problem, is inconstant. Among paramount problems is effectiveness of Law on Assets and Income Disclosure by Individuals (2006). Civil society organizations are willing to help government in eliminating corruption, but their collaboration is limited. Some positive achievements can be viewed in internal audit, but there are many vague points in the other legislative acts. TI's CPI data confirms above-mentioned information – it decreased from 2.9 to 2.6 in 6 years (2005-2011). Now indicator is calculated in points, and Armenia is still not efficient in corruption elimination – 36 points and 94<sup>th</sup> place out of 177 countries. TI's experts in one of their reports indicated the main types of corruption in Armenia - bureaucratic, grand and political. It can be concluded that government and society have an urgent problem and have to find a solution together. [11] [12] [13] [14]

**Azerbaijan.** As in case with Georgia, Azerbaijan participated in the third round of monitoring within the framework of Istanbul Action Plan. Country's government made several steps up in fight against cor-

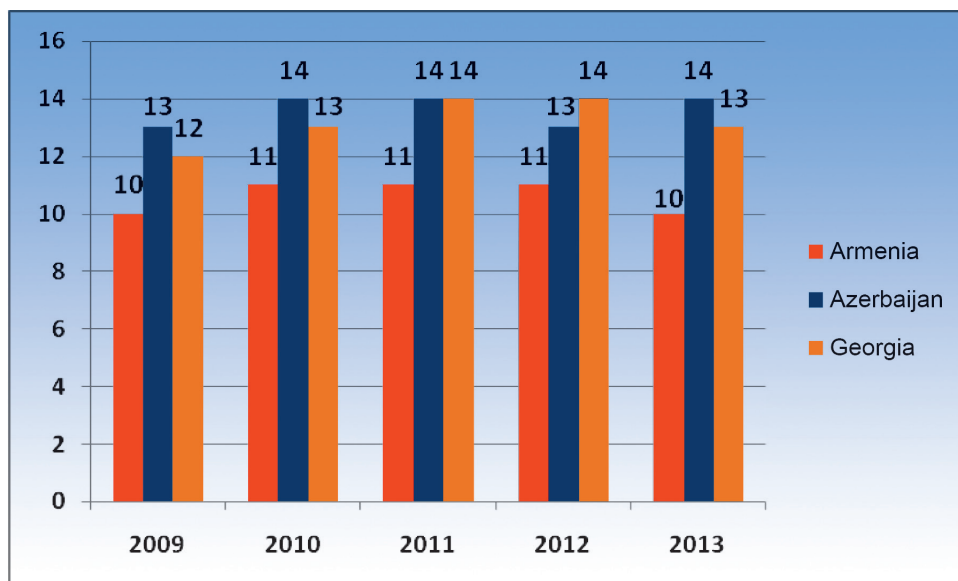
ruption since 2010. For instance, ASAN centers – State Service for Social Innovations and Service to Citizens – was opened in 2012. There were also adopted new laws and acts on the basis of previous studies of corruption in other states. But still there are problems in implementing these acts in real life, e.g. national anti-corruption strategy and action plan for 2007-2011 was completed only in 2012. Participation of civil society in evaluating government's actions is minimal. Hence, NGO's are financed by the authorities to attract more people to the problem and make them participate in eliminating this phenomenon. Existing in Azerbaijan Commission on Combating Corruption managed to develop new anti-corruption policies, but no further steps in measuring it (by the means of indices), using surveys, and raising awareness about ways it can be diminished, are taken. Fight against corruption in Azerbaijan is mainly connected with middle and lower level civil servants, raising questions about eradicating it higher social classes. As in Armenian case, system of asset declarations by public officials isn't functioning properly. The Law on Political Parties of Azerbaijan was changed in 2012 to suite GRECO recommendations, but no progress was traced by GRECO itself and Istanbul Action plan. As we see, corruption is one of the most problematic issues in Azerbaijan. TI's CPI, in comparison with Armenia (2005-2011), increased from 2.2 to 2.4, but it isn't reaching their level. We can conclude that Azerbaijan has the worst situation in anti-corruption movement in the Southern Caucasus region. [11] [12] [15]

### **III. Fighting corruption. What can be done?**

As it states from the previous part of the work, much is set and few is done in Armenia and Azerbaijan in decreasing corruption level. Georgia also encountered corruption and reached better results than its neighbors. We made a research in calculating the level of corruption in each of three countries, using our own methodology. The data is amassed from the Caucasus Research Resource Centers (CRRC) web portal.

The methodology of research is based on evaluation of the countries by respondent's answers on following questions of the survey (the answers are given in brackets): 1. The most important factor for getting a good job? (Connections, doing favor to 'right' people, education, work experience, hard work) 2. Court system favors some citizens VS treats all equally (Favors some citizens, treats all equally) 3. Fairness of the most recent national elections (Not at all fairly, to some extent fairly, completely fairly) 4. Paid a bribe during last 12 months? (Yes, no) 5. Trust questions: (all answers regarding trust in this and consequent questions are the following: fully distrust, somewhat distrust, somewhat trust, fully trust, excluding neither distrust nor trust) a) Healthcare system; b) Education system; c) Parliament; d) Media; e) Police.

In our opinion, all these questions don't cover entirely the full scale, but can somewhat assess the real level of corruption. Methodology also excludes "don't know" and "refuse to answer" options. Countries were evaluated by points: 1 point if majority of population chooses positive answers (like 26% of Armenians somewhat trusted media in 2009, it's a majority (comparing with 10%, 12%, and 7%), brings 1 point to Armenia). Otherwise, country doesn't get points. After gathering data from CRRC we have gained the following table: [16]



Pic.1. Level of corruption in Southern Caucasus region

As we see, the best results of fight against corruption are in Azerbaijan, which seems surprising after aforementioned information in the second part. But if we consider indicator of sincerity of respondents, we can reset data of Azerbaijan (or significantly diminish it to the level of Armenia, or even lower), as more than half of Azerbaijani respondents was not sincere (about 5-6% of insincerity in Georgia and Armenia). Taking in consideration this factor we can definitely say that Georgia succeeded in anti-corruption policies more than its neighbors. The level of corruption in Armenia and Azerbaijan is nearly the same and it must be improved in several years. Manufacturing, trading and numerous economic, political, social, cultural factors depend on efficient dealing with this phenomenon.

What can be done under these circumstances? Several possible ways are acceptable. Answering a main question of the work, our **recommendations** to eliminate corruption in the countries of South Caucasus region are:

**a) Invitation of independent expert groups.** International statistical and research organizations send groups of their employees to monitor and report about current anti-corruption standing in Georgia, Armenia and Azerbaijan. Our advice's novelty is in inviting groups of specialists from countries that dealt with corruption to a large extent. Contract between government and such teams from New Zealand, Singapore, and China can be signed. Romanian experience can also be shared; collaboration is welcomed. In our opinion, these groups can head main anti-corruption bodies of the state for more efficiency.

**b) Use of guillotine method.** This legal method can be used in all three countries and indirectly influences the level of corruption. The essence of guillotine method is in cutting unnecessary acts and laws that prevent economic and social development. A lot of laws –legal loopholes - are created to circumvent other legislative acts. Sometimes people have to pay for bypassing them, which fosters corruption in low and middle classes. Reduction of these laws leads to transparent legislation, which can be interpreted in one clear way. It is also necessary to fix corresponding measures of punishment in case of violating these acts. These measures must be severe; death penalty is also a way out (but it's the ultimate mean of fight). Singapore's experience in imprisoning officials and other persons on a long period of time is also acceptable. But without political will and contacts with society it is almost impossible to overcome this adverse phenomenon.

## **Conclusion**

Considering situation in all three countries of Southern Caucasus, we observe important changes in Georgia and slight improvement in Armenia and Azerbaijan. Society and government must work together; high-level corruption must be eliminated in all spheres. Invitation of experts groups from countries with low level of corruption and use of guillotine method is preferable. Strict punishments are also acceptable in extreme cases.

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# **Modern innovations of anti-corruption regulation in Southern Caucasus**

*Annotation*

**Alexander Petrosyan**

*Russian-Armenian (Slavonic) University*

*Student of the first course of Master's Program of Financial Economics faculty*

*Instructor: **Mariam Voskanyan, Ph.D, Prof.***

Modern technologies and innovational potential are closely linked to the results of anti-corruption activity in the country or region. Especially it refers to the Southern Caucasus.

One of the fundamental questions of modern economics of the region is how to overcome corruption in various fields and spheres and to direct released amounts of money in the sectors that need steady growth and development. The main purpose of the paper is to define the real level of corruption in Armenia, Georgia, and Azerbaijan and show the mainstreams of dealing with it with the help of modern legislation acts and economics researches.

This paper is divided into three subsequent parts. In the first block we overlook and summarize vital information about developing and developed countries, which encountered corruption in their economics and had own solutions in surmounting this issue. The second part of the paper is dedicated to the current situation in Southern Caucasus region, including overview of indicators, corruption level in different sectors, etc. Finally, in the third part of this working paper we shall evaluate the real level of corruption in each of three countries of the region and make some forecasts about their future positions in modern economics after implementation of anti-corruption policies.

The methodology of the working paper is based on mathematic and econometric calculations, analyzing of the facts and data, and also summarizing it to present conclusions. The main result of research demonstrates negative influence of corruption on diverse sectors and its adverse effects to the economics in general. Innovational processes can be fostered by lowering the level of corruption. This working paper can provide with important information the specialists making research of this problem, and students and economists, who are just interested in this issue. Such works as “Europeanization Subverted? The European Union’s Promotion of Good Governance and the Fight against Corruption in the Southern Caucasus” (2011), “Econometrics models used for corruption analysis” (2009) and economic data and working papers by [www.oecd.org](http://www.oecd.org) and [www.transparency.org](http://www.transparency.org) had an influence on this article.

## **The problems of formation of E-Government in Georgia**

**Nino Khoshtaria**

*Georgian Technical University*

*Student of the second course of Faculty of the Informatics and Control Systems*

*Instructor: Oleg Namicheishvili, Ph.D*

The concept emerged in the West in the 90s of the last century, as the structures of modern information and computer technologies in the implementation of an idea about the effectiveness and transparency of the work of the state apparatus. The idea of creating a service-oriented government was also added to this concept. According to this idea, the government is an organization that provides services to its citizens.

The e-government is the circulation system of electronic documents for state governance, which is based on a whole set of automation of management processes in entire country and aims to increase the efficiency of state management, also provides to reduce the costs of social communications for each member of society.

The main purposes of e-government operation are:

- the optimization of government services, which must be provided for residents and businesses;
- support and expansion of self-service capabilities for citizens;
- the technological awareness and increasing of qualification of citizens;
- reducing the impact of geographical factors.

Modern technologies give us an opportunity to achieve these goals, in this very case, an effective use of internet global network will help to improve relations between society and state services.

The e-government projects have functional usage in many countries. The most obvious example is Estonia, where a person can get a driver's license, social support, or other public services by using the identity map and internet.

The concept of implementation of e-government in Georgia has started in recent years, but the final target program for this isn't approved yet. However, some services are available online. For example, a passport can now be executed much more quickly and at lower cost, promptly carried out a technical examination of the coupon or obtain information about a variety of tax-related arrears.

Despite of the absolutely clear and undoubted advantages of e-government, there are some problems related to its operation.

First of all, the information development in Georgian regions is unequal, used methods of approaches and standards aren't the same.

There's also a problem of information confidentiality: some of the service data "stolen" bases (for example, passport, traffic safety, mobile phones ...) are for sale practically freely and openly. It's unknown whether it will be possible to avoid data leakage in Georgia, or not, and given that this may be a tax-related data, such a perspective is totally unacceptable to the people of Georgia, also it's associated with a risk of social explosion.

It should be noticed, that a direct appeal to e-government can anyone, who has an access to the internet. But in Georgia, the number of such citizens isn't enough.

Another problem is that electronic services are more expensive than custom services. A person must have at least – a personal computer connected with internet access. It costs expensive for legal entities to pass the balance through the internet every other year: there has to be made an important payment towards intermediary firm for electronic signature, as well as software and its services.

In addition to the problems listed above, the psychological attitudes of functionaries ( Officials) interfere formation of e-government, because they would definitely have to adapt to the new form of working. At this time their status may be changed, so powerful state officials will become a service sector workers.

Now the main work for implementing an electronic documenting is reduced to modernization of the State Chancellery. That means that the data can be moved from paper to the electronic format. And these procedures are followed by many improvident difficulties.

So far, the implementation of electronic documenting doesn't give significant results, while the government annually dissociates a certain amount of money for this. Supposedly, the Universities of Georgia have a number of as standard as well as technological innovative projects, which will allow us modern systems of electronic documenting to be made more efficient. Such works should be represented to leaderships of aptitude agencies at special meetings and conferences for relevant action and support.

The impression is that by formation of e-government and also because of lack of flexibility in the state system and functionaries the efficiency of working of state officials drops down.

In this brief review, we can conclude that for further development of e-government in Georgia, it's necessary to:

- 1) Create an electronic form of reference information and documenting standards for several services;
- 2) Support forming of electronic system of service management as being requested from citizens of Georgia;
- 3) Remove bureaucratic barriers for converting custom services to electronic form.

It should be noted that the project is too expensive. It requires an investment not only in computerization of government agencies and training of state officials .

In addition, significant amount of money will be required to train the state figures, process specialized programs, establish legal bases, provide computer and informational educational system for state officials. A significant amount of funds necessary to construct a separate government network, information and telecommunication infrastructure, educational and promotional activities, the implementing of training courses in schools / universities and other educational centers, equal rights on e-government services to all segments of society.

First of all, the effectiveness of e-government will depend on the initiative and responsibility of individuals, who are in charge to bring this program to everyday life. It's unfair to win in electronic tender if the one hasn't deserved it. The implementation of e-government should affect to bureaucracy too. Particularly , to eradicate the corruption completely, improve efficiency and the functionary to make it more humane and force to serve the citizens truly.

In my opinion, the main advantage of e-government is its orientation on a citizen, which solves his cases online, or in a custom way. Implementation of e-government will improve the business environment

and enhance the quality of life for society and the companies too.

Thus, e-government presents an organization of state management by using electronic devices: electronic signature and electronic processing, Transmission and dissemination of information, In Georgia, this concept is reduced to the electronic environment of relation between society and State government. Abroad, in the United States and the United Kingdom it's considered as a concept, which aims to increase the effectiveness and striving for improvement.

Practically these the problems of formation of e-government on its path towards to EU in Georgia

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# **The problems of formation of E-Government in Georgia**

*Annotation*

**Nino Khoshtaria**

*Georgian Technical University*

*Student of the second course of Faculty of the Informatics and Control Systems*

**Instructor: Oleg Namicheishvili, Ph.D**

Full and effective participation in the emerging global information network is of fundamental importance for Georgia that wants to avoid marginalization from the globalization process and is essential for the full participation of its citizens in all spheres of life. Information and communication technology (ICT) can contribute to integration of developed and developing countries in the world economy, and it can create the conditions for information and knowledge exchange and utilization.

E-government can transform the existing government system and consolidate the establishment of an inclusive governance system through digital means that is capable of exercising its powers and functions efficiently and effectively. A governance system that is committed to working with civil society in a transparent and accountable way to reduce poverty, safeguard the environment, redress inequality, foster security and fulfill social, economic, cultural, civic and political rights.

The key word in e-government is not electronic, but government. E-government should be regarded as an alternative and complementary approach to government administration and service delivery, as well as a means to redefine the way it interacts with citizens and the private sector.

# **The innovative potential of Armenia as the main factor of sustainable economic growth**

**Heghine Petrosyan**

*Russian-Armenian (Slavonic) University*

*1st year PhD student in Finance*

*Instructor: Mariam Voskanyan, Ph.D*

## **Introduction**

Differences between the living standard of the richest and of the poorest nations are explained by differences in innovative potential in these countries. Innovation is the key determinant of both productivity growth and competitiveness. The purpose of this paper is to determine the way in which innovation influences on sustainable growth and the perspectives for Armenia to increase its innovation potential.

In our research we will present the theories of Solow, Denison, Griliches, Geroski, Abramowitz, Romer and others. There will be presented the main indicators for revealing the role of innovation potential in difference countries which are divided into two groups: the first group of countries includes Armenia, Georgia, Kazakhstan, Kyrgyz Republic and Russian Federation and the second group is EU countries. Thus, we will compare these countries with each other. Besides, there is shown the influence of innovation on competitiveness of the country and main problems which don't allow to raise the innovative potential for the country.

This paper consists of the following parts: introduction, influence of innovation potential on growth: approaches and models, competitiveness and innovation: interrelated indicators, innovation potential in numbers and conclusion in which we present the main problems and perspectives for increasing innovative potential in Armenia due to reaching sustainable growth.

## **Influence of innovation potential on growth: approaches and models**

One of the basic analyses for finding out the influence of innovation on growth was made by Solow (1957). In his research the US total factor productivity between 1909 and 1949 was estimated, and led to the following conclusion: technical change (so-called 'residual' was attributed to technical change) was responsible for the majority of economic growth during that period. However, the later analyses showed that adjusting changes in labor quality and various measurement errors reduced the 'residual' to around one third of economic growth (Denison (1962) and Jorgenson and Griliches(1967)).

Other researchers tried to find out the exact influence of innovation input on growth. For example, Griliches and Mansfield using a Cobb-Douglas production function estimated total factor productivity growth, and then regressed these estimates against the R&D spending. According to the results 1% increase in the R&D capital stock led to rise in output from 0.05% up to 0.1%. Another research for estimation of the influence of technical progress on output was done by Fabricant (1954) in the US during 1871 and 1951. This research revealed that about 90% of the increase in output per capita for that period was attributable to technical progress.

The influence of innovation is observed on productivity growth. For example, Geroski (1989) examined the effect of entry and innovation on total factor productivity growth using a sample of 79 UK firms from 1976 to 1979 and argued that innovation (measured by the SPRU significant innovations database)

accounted for 50% of total factor productivity growth and entry for 30%.

In Abramowitz (1993) paper are presented examples that prove the impossibility to obtain meaningful estimates of the impact of technical progress in considering it as a residue (after exclusion of the influence of the main factors). The reason for this is the following: in this case the mutual influence of the accumulation of physical and human capital and the pace and character of technological progress is not regarded. Abramowitz notes that the residue includes a lot of unmeasured sources of growth beside the technical progress calling them «Some sort of measure of ignorance».

It is obvious that traditional models of growth developed in 1940-1960 focused on the value of labor and capital, and technical progress and innovations which were regarded only as exogenous factors.

So, contribution of the third factor, which attributed to exogenous character in traditional neoclassical models, still remained at a relatively high level. However, the most theoretical models of that period, except containing innovative ideas of Schumpeter and Kondratieva, suggested that technological progress depends on time ( $t$ ) and weakly associated with processes within the simulated system.

In the last decade of the 20th century new theoretical models were built, which had to justify endogenous nature of technological change generating growth. The principal feature of these models is in the fact that their production function contains a new variable which is the human capital. This factor characterizes the amount of scientific knowledge and practical experience, accumulated in the learning process. The founder of “A new theory of growth” P. Romer tried to put innovations and technical progress as one of the main factors. According to this theory, increase in knowledge has endogenous influence on growth and is associated with such economic factors as improvement in opportunities for profit growth and education. Thus, levels of technological changes are not stable and their speed depends largely on the activity of the state and individual companies. On the basis of the constructed model P. Romer makes conclusion that countries with a greater amount of accumulated human capital will have higher rates of economic growth.

There are a lot of other researchers who suggest different models and approaches to the relationship between innovation and economic growth but all these both exogenous and endogenous theories prove a huge influence of innovative potential on growth which varies from one third to 87%.

For our further analysis it is important to mention the spillovers from government funded R&D and from academic R&D. According to Adams (1990) the output of the academic science base is the main contributor to productivity growth, but there is a lag in effect of roughly twenty years. For this Rosenberg (1994) brings an example with lasers. The basic science underlying the laser was formulated by Einstein in 1916, but the first industrial uses occurred in the 1960s. There are significant spillovers of university R&D, with an elasticity of corporate patents with respect to university R&D of around 10% (Jaffe (1989) and Acs, Audretsch and Feldman (1994)). There is an influence of government-financed R&D on productivity of manufacturing industry. For example, Nadiri and Mamuneas (1991) suggested a social rate of return to public R&D investment of around 10% for US manufacturing.

### **Competitiveness and innovation: interrelated indicators**

One of the major effects of innovation is a higher quality of goods and services, which are introduced to the market much cheaper. The latest is one of the most important factors for the economic competitiveness. The relationship between innovation and competition is a very difficult and complex one. On the one hand, strong competition can encourage companies to innovate so as they could go on or remain ahead of their competitors by making easier to recover costs and earn profits. On the other hand, the possibility to

create, use and circulate innovations depends on the environment in which the rewards for innovation are sufficient to encourage it.

To determine the influence of innovation potential on competitiveness let us have a look at the main indexes of competitiveness, which are provided by the World Economic Forum (WEF). As stated in the table 1 the sub index in innovation is the worst one in all indexes for all countries mentioned in the table. This means that none of them paid enough attention to the innovation, because even the overall index is higher than the one for innovation. A little different situation is observed in sub index of the higher education and training. We can see that none of them stands after 92 from 144 countries. This is not surprising because, as analyzed in graph 2, these countries spent much more money for education than for R&D and the results for it are obvious and are reflected in the index of higher education and training which influences on competitiveness index.

The Global Competitiveness Index 2014–2015 and sub indexes

Table 1.

Country	Overall index		Innovation		Higher education and training	
	Rank	Score	Rank	Score	Rank	Score
Armenia	85	4,01	104	2,95	75	4,2
Georgia	69	4,22	121	2,71	92	3,89
Kazakhstan	50	4,42	85	3,14	62	4,51
Kyrgyz Republic	108	3,73	132	2,48	91	3,89
Russian Federation	53	4,37	65	3,29	39	4,96

A question occurs: which are the main factors hindering the development of innovative potential, thus, the competitiveness? According to the WEF report: company spending on R&D and government procurement of advanced tech products are the weakest indicators in innovation sub index and availability of research and training system are the weakest indicators in higher education and training sub index (see table 2). Besides, according to the same report the main problem in the whole economy of Armenia is the corruption (16.4%).

The Innovation, and Higher education and training sub indexes (2014–2015)

Table 2.

#### 12th pillar: Higher education and training

12.01	Capacity for innovation.....	3.5	98
12.02	Quality of scientific research institutions.....	3.1	105
12.03	Company spending on R&D .....	2.8	102
12.04	University-industry collaboration in R&D .....	3.1	112
12.05	Gov't procurement of advanced tech products..	2.9	121
12.06	Availability of scientists and engineers .....	4.0	75
12.07	PCT patents, applications/million pop.* .....	3.2	53

### 5th pillar: Higher education and training

5.01	Secondary education enrollment, gross %	95.9	51
5.02	Tertiary education enrollment, gross %	46.0	59
5.03	Quality of the education system	3.5	86
5.04	Quality of math and science education	4.2	69
5.05	Quality of management schools	3.5	116
5.06	Internet access in schools	4.3	68
5.07	Availability of research and training services	3.3	120
5.08	Extent of staff training	3.4	119

Corruption is one of the biggest problems not only for Armenia but also for many other countries. According to Corruption Perceptions Index<sup>155</sup> Armenia is 94 from 177 countries with a score of 36 (out of 100). It is a very important index because its influence on the whole country is huge. For example, a linear relationship exists between Corruption Perceptions Index and Government Effectiveness Index<sup>156</sup> which means that the government effectiveness is bad either.

Thus, we can conclude that there are a lot of problems which do not allow innovative potential to grow. First of all, the corruption doesn't allow to develop the whole economy. Second, the funding of R&D both from the government and the private sector is insufficient. Such small investments in R&D make an impression as if both sides are uninterested in this field. Another problem is that many countries which have the possibility to create, use and circulate innovations have already done it and it is important to find out if Armenia will be able to make such competitiveness market. What really can change the situation is to find new opportunities and advantages to be able to improve our country productivity. The one way is to adopt existing technologies; the other is to make incremental improvements in other areas.

One of the advantages of Armenia is human capital. According to Human Development Report 2014<sup>157</sup> Armenia refers to High human development countries with HDI value of 0.730 in 2013. Besides, Armenia is positioning at 87 out of 187 countries and territories. Unfortunately, there can be "loses" in human development due to inequality in income, education and birth, which is the reason for this position. Table 3 compares HDI of Armenia and several other countries.

Armenia's HDI indicators for 2013

Table 3.

	HDI value	HDI rank	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (PPP US\$)
Armenia	0.730	87	74.6	12.3	10.8	7,952
Georgia	0.744	80	74.3	13.2	12.1	6,890
Azerbaijan	0.747	76	70.8	11.8	11.2	15,725
Europe and Central Asia	0.738	—	71.3	13.6	9.6	12,415
High HDI	0.735	—	74.5	13.4	8.1	13,231

<sup>155</sup> See <http://www.transparency.org/cpi2013/results>

<sup>156</sup> See Давыдов А.А. Конкурентные преимущества системной социологии. (Электронное издание) М.: ИС РАН, 2008. (<http://www.isras.ru/publ.html?id=855> , <http://www.ecsocman.edu.ru/db/msg/324618.html> )

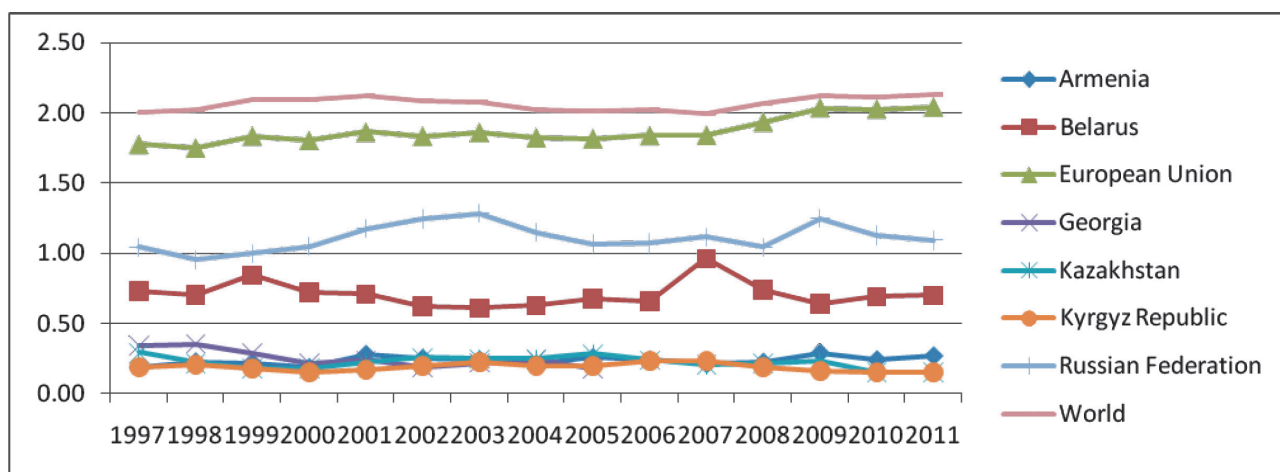
<sup>157</sup> See <http://hdr.undp.org/en/2014-report>

### Innovation potential in numbers

One of the most important indexes for comparing countries in innovative potential is overall expenditure on R&D as % of GDP (see pic. 1). Pic. 1 shows that the amount of expenditures on R&D in Armenia, Georgia, Kazakhstan and Kyrgyz Republic is almost the same and lower than in comparison with other countries. The amount of overall expenditure on R&D as % of GDP ranges from 0.16 (Kazakhstan and Kyrgyz Republic) to 0.27% (Armenia) in 2011. It should be noted that during the study period from 1997 to 2011 some positive changes for Armenia in this indicator are observed. For example, in 1997 expenditure on R&D were only 0.19% of GDP of Armenia compared to 0.27% in 2011. This is very small change for 14 years, especially when comparing with the other expenditures such as general public services and defense which respectively formed to 4.1% and 3.9% of GDP from 26.1% of the share of all expenditures in GDP.

The highest level in overall expenditure on R&D is observed in Korea Republic (4.03), Israel (3.97) and Finland (3.76). That is the main reason why the world's indicator is even higher than the average indicator for EU countries. But even in this case there is incomparable gap between Armenia and EU countries, providing reasons for thoughts.

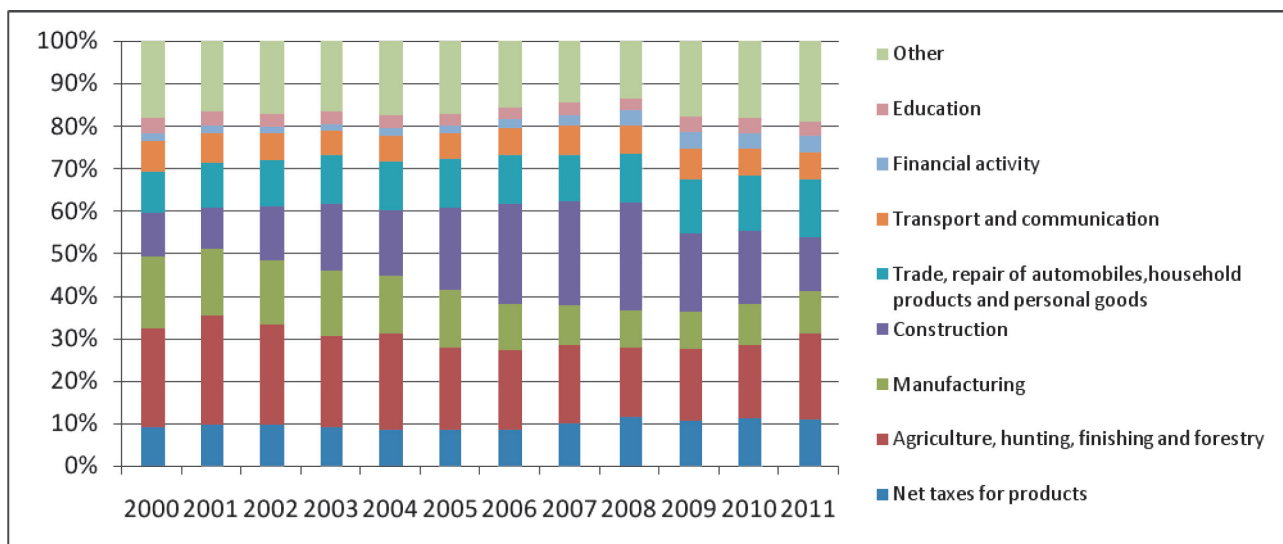
So, it is obvious that none of the countries in the first group provides enough funds for the development of R&D, which leads to irrevocable expenditures from which suffers the whole country.



Pic. 1. Research and development expenditure (% of GDP), 1997-2011.

Let's have a look at the structure of GDP in Armenia to show how Armenian economy is developing. As the pic. 2 presents the main factors of GDP are agriculture, hunting, finishing and forestry (20.3%), trade, repair of automobiles, household products and personal goods (13.4%) and construction (12.8%). These factors were the main not only for 2011 but also for observed period and even earlier<sup>158</sup>. Besides, the main factor which influenced on GDP for a long time was construction (the share of it reached 25.3% in 2008). It should be noticed that the share of education in GDP is 3.4% and during the observed period it varied from 2.8% (2005) to 3.6% (2009). So, according to this analysis a question occurs: how can the country develop and have stable and qualitative growth in which education and R&D have such a miser role for it?

158 See armstat.am



Pic. 2. The structure of GDP of Armenia, 2000-2011.

The other important indicator is the amount of scientific and technical journal articles<sup>159</sup>, which is presented in the table 4. Table 4 shows that the share of scientific and technical journal articles for the group of first countries in the world is very low. For example, for Armenia the number is about 0.032%, for Georgia – 0.020%. A huge contribution in the world's scientific and technical journal articles have EU countries which amounts to 43.9%. Besides this difference between the countries it is obvious that for the observation period EU countries have increased both the amount (from 209480 to 255770 articles) and the share in the world (from 35.6% to 43.9%). But this tendency is not observed for the first group countries, because there is about no changes in this numbers which means that this part is ignored even by the government.

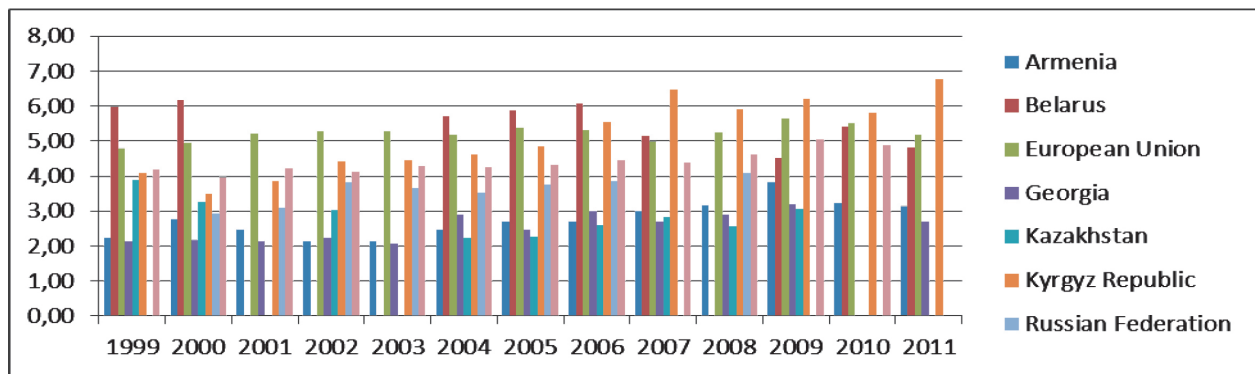
The amount of scientific and technical journal articles (2011)

Table 4.

	The amount of scientific and technical journal articles	The share in the world
Armenia	184	0.03%
Belarus	341	0.06%
European Union	255770	43.95%
Georgia	117	0.02%
Kazakhstan	87	0.02%
Kyrgyz Republic	17	0.003%
Russian Federation	14150	2.43%
Other	311341	53.49%
World	582011	100%

<sup>159</sup> Scientific and technical journal articles refer to the number of scientific and engineering articles published in the following fields: physics, biology, chemistry, mathematics, clinical medicine, biomedical research, engineering and technology, and earth and space sciences.

A little better situation is observed in the other important indicator - total public spending on education (% of GDP)<sup>160</sup>. All the countries in the first group have about the same amount as the average one in the world (about 5%) except Armenia (3.14%) and Georgia (2.7%). But even in this case funding of education is higher than funding of R&D. However, this amount is not enough for reaching stable and high economic growth because as it was mentioned above increase in knowledge has endogenous influence on growth and associated with such economic factors as improvement in opportunities for profit growth and education the lag of which is about twenty years.



Pic. 3. Public spending on education, total (% of GDP), 1999-2011.

Thus, we can come to the conclusion that countries of the first group do not invest neither in R&D nor in education. Comparing such indicators as research and development expenditure (% of GDP), public spending on education (% of GDP) and the amount of scientific and technical journal articles with EU-average and world-average it becomes obvious that the countries of the first group cutting back on the R&D spending leads to critical situation for sustainable growth into the future.

Research of OECD (2013) shows that innovation-intensive markets frequently display some or all of the following characteristics:

- High R&D intensity and dependence on IPR coupled with a closely related heavy reliance on human instead of physical capital,
- A high degree of technical complexity,
- Rapid technological change and short product cycles,
- Increasing returns to scale,
- Substantial network effects (meaning that a product or service becomes increasingly useful and valuable as more customers use it, for example telephones),
- Significant compatibility and standards issues.

Moreover, according to Scherer and Ross (1990) research of innovation is most likely to thrive in market environments that support a variety of firm sizes and feature low barriers to entry for technologically innovative entrants.

Unfortunately, none of listed factors are existing in Armenia. So, in conclusion we will try to present the main solutions to this problem.

<sup>160</sup> Public expenditure on education includes government spending on educational institutions (both public and private), education administration, and transfers/subsidies for private entities (students/households and other private entities).

## **Conclusion**

In this research we showed the role of innovation potential for sustainable growth. The influence of innovation on economic growth is huge and varies from one third to 87%. Moreover, in the analysis we presented the relationship between innovation and competition, and revealed big dependence one to another. On the one hand, strong competition can encourage companies to innovate so as they could go on or remain ahead of their competitors by making easier to recover costs and earn profits. On the other hand, the possibility to create, use and circulate innovations depends on the environment in which the rewards for innovation are sufficient to encourage it. This statement was proved by the Competitiveness Index for different countries.

Then such important indicators as The Global Competitiveness Index, The Innovation, and Higher education and training sub indexes, Armenia's HDI indicators, Research and development expenditure (% of GDP), The structure of GDP of Armenia, The amount of scientific and technical journal articles, Public spending on education, total (% of GDP) were considered and compared between presented countries. Analysing these indicators let find out the main problems of Armenia's economy which were presented in different parts of this paper.

So, which are the main steps for Armenia which provide innovations and thus sustainable growth for country?

First, Armenia's government should try to solve the problem of corruption which is the worst enemy of the whole country.

Second, government should optimize its expenditure and invest in more productive sectors in particular increase investments in R&D and education. Besides, transition to innovative potential economy is primarily reached due to large-scale investment in human capital. These changes will allow to increase the number of researchers in science, engineering and technology, both by funding advanced research degrees and making an attractive location for world-class researchers who represent human capital for country. However, the experience of other countries shows that government cannot on its own increase the level of innovation because R&D scale must grow organically. For the latter the business involvement plays a great role since they could invest in R&D. In this case the government should create the necessary framework conditions to support innovation, both for domestic and foreign firms. For the first period these investments should be made in the more competitive and perspective sectors of our country. One of the greatest productivity growth over the past 5 years has been particularly strong in the IT sector due to a quality market of human resources. However, the most part of investments and demand to this sector come from international market. In order to let this sector develop rapidly and to increase its competitiveness till the world's level, the government should make funds in it. Only after these steps new technologies and innovations could be spread in other sectors of the economy.

Third, in order to remain competitive and to move the economy up the value-added chain developing countries including Armenia should try to improve their productivity by adopting existing technologies or making gradual improvements in other areas. For Armenia this can be gained by investing in human capital and improving it.

So, we can conclude that reaching sustainable growth by using innovative potential should be supported by both public and private sectors and it is not likely to take place unless there is sufficient background and motivation for the further development.

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# **The innovative potential of Armenia as the main factor of sustainable economic growth**

*Annotation*

**Heghine Petrosyan**

*Russian-Armenian (Slavonic) University*

*1st year PhD student in Finance*

*Instructor: **Mariam Voskanyan, Ph.D***

The most important issue of the countries of the Southern Caucasus is intensive economic growth which can be reached exactly by innovative activities. Innovative potential makes opportunities for the creation, development, implementation and dissemination of useful innovations (new knowledge, ideas, technologies, products and services, management methods, processes, etc.). It influences on the level of national competitiveness: an increase in the level of national competitiveness depends largely on the effective use of innovative capacity, including technical, scientific, human, financial, informational potential.

This research includes the analysis of the indexes of innovative potential, its impact on economic growth and competitiveness of the country. There are presented the main factors of innovative potential and its analyses. During our research we will use qualitative and quantitative methods of analysis, compare innovation potential of Armenia with other countries of the Southern Caucasus and show how we can use the experience of EU countries as a useful guide to the development of innovative capacity. In the last part there will be given basic recommendations for effective use of innovative capacity.

## Internal Financial Control in Management development areas: Ukrainian Experience

Julia Gluschenko

*National Academy of Public Administration Under the President of Ukraine*

*Student of the Ph.D, of the faculty of Regional Management, Local Authorities and City Management*

*Instructor: Volodymyr Udovchenko, Ph.D Prof.*

The theoretical basis and practice of internal financial control in the integration of Ukraine into the European Community. Proposed and justified ways of improvement of internal financial control as the main lever for social and economic development of territories.

**Keywords:** internal financial control, the European Community, the Accounting Chamber of Ukraine, socio-economic development of territories.

**Formulation of the problem.** One of the urgent issues of fiscal policy is the issue of financial security of local communities in need especially improving internal financial control board budgets. The current state it describes a number of problems. In particular, the failure and inadequacy of the legal framework, a formal approach to determining the purpose of budget programs, poor management, organizational and human resources and others [1].

In this strategic direction is to approve measures Development Strategy public financial management system that provides for the development of public internal financial control, as a combination of three components: internal control, internal audit and their harmonization with EU best practices [2]. As well as the Action Plan for its implementation.

**Analysis of recent research and publications.** The development of system of financial control in his writings covered many researchers, including Yu wanted V. Melnychuk, O. Miller, V. Savchuk, V. Sopko, V. Fedosov, V. Shevchuk, S. Shokhin and others. However, the question of the role of public internal financial control to ensure the socio-economic environment in the integration of Ukraine into the EU is extremely important and requires the study.

**By the unresolved aspects of the problem are on improvement** of budgetary control as an important component of financial control in order to sustain the economic development of areas in the context of globalization and European integration.

**The purpose of this article is** to study the problem issues of internal financial control towards improving the socio-economic environment and in terms of European integration of Ukraine.

To achieve this goal following tasks:

- Theoretical foundations and components of internal financial control;
- To identify negative trends of internal financial control towards budget support development of local communities;
- To develop practical recommendations for improving the process controls to socio-economic development of territories.

**The main material.** The global financial globalization and integration of Ukraine into the EU require modernization and application of new conceptual approaches to the management of public funds, which is essential for socio-economic development in general and, in particular regions.

In recent years, relations between Ukraine and the EU identified the European Neighbourhood Policy (ENP), and EU assistance provided through the new European Neighbourhood and Partnership Instrument (ENPI) [3]. This tool was launched in 2007 instead of technical assistance programs TACIS and MEDA. The main differences of the new tools of the past are strategic in nature and implementation of a new type of aid: budget support. In addition, the introduction of ENPI simplify system management support for the EU, replacing it by more than 30 instruments that were used until 2007.

Bold credit for Ukraine is part of the “package of support for Ukraine”, which in early March 2014 approved the European Commission. In May 2014 roku in Brussels between the EU and Ukraine signed a Memorandum of Understanding and the Loan Agreement between Ukraine and the EU as a borrower as the lender to provide macro-financial assistance. As part of the support package Ukraine is expected in the next years funding into 3 main areas: 1) Grants - financial aid; credit - Macro-financial assistance; 3) financing projects (loans) - European financial institutions [4].

EU puts the following demands to the Government of Ukraine on structural reforms: improving public financial management; trade and taxation; financial sector. An important tool of the government which allows to achieve these objectives is public internal control, as well as its most important component - budgetary control.

In the world there are models of public internal financial control: Latin (Belgium, France, Greece, Portugal, Spain) or approach the Mediterranean and Nordic (Scandinavian) model (the Netherlands).

Latin model (centralized) provides the function of monitoring the implementation of individual ministries, the central body of executive power. The advantage of this model is comprehensive support for internal auditors by coordinating and methodological center, providing them with a permanent and professional development. Disadvantages: the failure of the principle of accountability chief executive officer, division of responsibility between the manager and the focal point; low efficiency due to poor transparency; negative attitude towards the activities of internal auditors by police investigated their areas; not compliance with international standards on auditing.

Given functioning Northern European (Scandinavian) model, management is responsible for the financial decisions taken by management and results and requires improvement and development of the system of internal control. Thus, the benefits - to ensure the principle of accountability chief executive officer, high efficiency through the interaction between the agency head and internal auditors to ensure timely flow of information; internal auditor is an employee of the institution, so is understanding of people, which it controls.

Ukraine has recently dominated the Latin model, as the control is too centralized. The role of coordination and methodological center in the PIFC played State Financial Inspection, but today there is a gradual transition to a decentralized model, as evidenced by the reform process in the control of the state. In particular, the Budget Code of Ukraine, the Concept of Development of Public Internal Financial Control in Ukraine and the Action Plan for its implementation.

Thus, regulatory and methodological support of internal control and internal audit in public sector involves the introduction of compulsory basic components of the model of internal control and internal audit of all spending units (p. 26 of the Budget Code) [5].

Internal control consists of five interrelated components: control environment, risk assessment, control (management) activities, information, monitoring.

Control environment encompasses the following elements: the message information and implemen-

tation of integrity and ethical values; commitment to competence; participation of senior management; philosophy and style of management personnel; organizational structure; definition of authority and segregation of duties; policies and practices of human resources. Control environment is the foundation of effective internal control, providing discipline and structure it properly.

Risk assessment - the process of determination (identification) and risk analysis of the organization, development and implementation of control procedures to prevent risks or their limitations (risk management) [6]. Identification of risk is to identify the most risky areas, the concentration of available resources to manage the most significant of them, establishing employee responsible for risk management in their respective fields. Identification of risks must be an ongoing process that is carried out taking into consideration changes in the economic and regulatory environment. Risk analysis involves determining materiality impact of identified risks to the organization, their consequences and likelihood. One of the main purposes of risk analysis to inform management on risk areas where measures should be taken to prevent or limit such risks and prioritization of activities. Risk Management - a set of measures for the transfer, acceptance or prevent (limit) identified and analyzed risks.

The control (management) activities - a collection introduced in organizing actions, regulations and procedures for risk management, completeness goal of the organization and performance of their tasks. They may include: authorization and confirmation; the responsibilities and roles; control of access to resources and accounting; control over the accuracy of performed operations; verify the credentials of the actual; assessment of overall performance of the organization; assessment certain operations, processes and activities; supervision. Control procedures should periodically assess in terms of effectiveness and if necessary - revise. Information security - a system for collecting, documenting, transferring information and use it for decision making. The management and staff to make decisions, good operations and control them must be complete, timely, accurate and accessible information to financial and non-financial as external and the internal events. To ensure receipt of such information requires that all operations are important events and control procedures were complete, promptly and accurately documented.

Monitoring - an ongoing process of assessing the quality of the system of internal control at the time. Information on the internal control deficiencies should be given to the appropriate level. Monitoring should ensure adequate and prompt implementation of the recommendations and proposals for the elimination of existing and prevention of possible deficiencies in the internal control.

Internal audit - an activity to provide independent and objective guarantees and consultation aimed at improving the organization. Internal audit helps managers in achieving the organization goals, using a systematic and consistent approach to evaluating and improving the effectiveness of internal control. Implementation of these activities involves the creation of each public sector body functionally independent internal audit unit.

Internal audit units in no way be equated with departmental control and audit divisions, moreover, unacceptable combination of these functions in a single structural unit. In another internal audit nature, goals and objectives than the audit. Internal audit helps managers to manage, but can not and should not replace managers and leaders - it can not replace the internal control system.

Cabinet of Ministers of Ukraine determines the basic principles of internal control and internal audit, as well as the procedure for establishing internal audit units. The main objective of the internal audit unit at the state and municipal sectors is head of the organization providing guarantees adequacy and effectiveness of internal controls. The innovations of the 26th article of the Code apply not only to key spending and spending units lower.

At the same time, Section VIII Action Plan Implementation Strategy of the public financial management system provides for the following. In the first stage (during 2013 - 2014): 1) regulatory and methodological support of internal control and internal audit by preparing forms of performance reporting of internal audit, to determine the assessment of the internal control and internal audit recommendations for improving the methodological of internal control by spending money in their establishments and subordinate budget institutions on financial management and accountability (accountability) leaders, a draft legal act on the organization of internal control, including financial management and control and responsibility (accountability) of the head of the budget institutions;

2) Issue Tracking practical implementation of the requirements of normative legal acts of internal control and internal audit by the meetings of the boards, on the results of internal audit units, establishing and monitoring a single automated database on the results of their activities, and analysis / revision of the legal and regulatory internal audit, the result of which will be to adjust internal audit standards;

3) support and development of internal control and internal audit activities through training for managers and employees, internal auditors budgetary institutions for the organization of internal control, including financial management and accountability (accountability) and internal audit, advocacy and advisory support on these issues.

In view of the experience and results achieved in the second stage (during 2015 - 2017) provides for measures aimed at continuing work on support and development of internal control and internal audit activities through workshops, trainings, consultations, conferences, briefings, roundtables, pilot projects on internal control, including financial management and accountability (accountability), and internal audit.

Implemented at this stage measures will reason the Ministry of Finance and State Financial Inspection of draft proposals for the organizational and structural changes in the Inspection and the Ministry of Finance (for 2017) that will be based on the analysis of the development and functional capacity of internal audit budget institutions and independent external body auditing (Accounting Chamber). This will be the basis for a reorientation of its activities on the inspection and centralized internal audit (state financial audit), as well as the functioning of the Ministry of Finance Division harmonization of internal control and internal audit.

Regarding the Accounting Chamber of Ukraine, the experts note that in recent years the Accounting Chamber has become a pretty decorative body, though it has allegedly considerable powers to activity as the official auditor of the public sector [7]. One of the main problems of the Accounting Chamber is that violations are detected in the expenditure of public funds hardly give any result.

In this connection and is indispensable for the Association Agreement with the EU, September 19, 2013 Parliament passed a law in general amending Article 98 of the Constitution of Ukraine to expand its powers [8]. The bill, which was seen as envisaged that this body will control not only the costs but also the state budget revenues.

We subscribe to the experts that the best would be if the qualitative conclusions of this body are taken into account in the preparation of the state budget. This would give an opportunity to avoid installing properly inflated income plans.

Thus, unrealistic macroeconomic forecast and the existence of large-scale "tax pits" led to underperformance during 2013 of the consolidated budget of Ukraine in 2013 to 5.9% of the state budget - 3.5% of the general fund of local budgets by 5.2% [9, p. 27, 52]. As the revenue budget, economic stagnation and decline in exports of goods and services by 5.1% refund of value added tax rose by 16.1% to USD 53.4

billions, indicating that the use of illegal schemes. Despite the depressed state of the economy steadily growing social standards that were not secured by real sources of funding, and conducted by borrowing, diversion of the special fund and local budgets, not of other expenditures [10].

Uncertainty of socio-economic development and the existence of multiple, separate and uncoordinated programs reduced the efficiency of the budget, resulting in significant financial losses for society. There was a low quality of budget programs related to their large number (600-800), duplication (about 20% by volume), some funding due to limited financial resources (in 2011 with 450 local budget programs - 70 % financed only by 80-85%, 15% - 40-60%, 10% - not funded at all), [11, p.21].

Reduction of financial, budgetary and fiscal discipline has led to misuse of public funds, fraud on their withdrawal, the export of capital abroad and legalization of proceeds from crime. Thus, during 2011 inspection departments of land resources found 43,200 violations of land legislation, as a result, the administrative proceedings were brought 18,400 citizens and officials, which imposed fines amounting to 4.9 million USD. Revenue lost as a result of unauthorized occupation of land, the use of inappropriately, removal of soil cover without special permission, constituted 117.7 million USD [12, p. 434].

At the same time, the problem is implementation of budgetary control, the lack of clear mechanisms of internal control over compliance with the current legislation in the public sector. Critical analysis of practices to control budget execution stage suggests that the efficacy of control over the efficient use of funds is low.

Current in 2010-2012 mechanism of relations between the State Budget of Ukraine and local budgets did not provide the Council of Ministers of Crimea and local self-government financial resources sufficient to perform state functions assigned to them, just and equitable distribution of social wealth among citizens and local communities [13, p. 100].

Overall, the analysis showed that the centralization of power to enhance the formation and identify the use of financial resources of local budgets in the Ministry of Finance and the Government stipulating a significant dependence of the performance of the Council of Ministers of Crimea and local self-government authority of relevant decisions of the central authorities.

The absence in 2011- 2012 a separate procedure and conditions for granting of the subsidy (in accordance with Article 97 of the Budget Code of Ukraine approved by the Cabinet of Ministers of Ukraine) created a risk of non-priority funds to complete the work initiated and measures [ibid, p.107]. This is due primarily to the fact that in Ukraine in practice not fully realized performance audit, however, remains the basis for control inspection. This control aims at detecting violations and to bring those responsible for the commission of persons liable, not the assessment of the results achieved in the management of public funds [14].

**Conclusions.** Summing research should be emphasized that financial control is a multifaceted system analysis and verification of legality, rationality, feasibility of the formation and use of financial resources at all levels of government. In the context of globalization and European integration of Ukraine, namely the effective functioning of financial control will help improve the financial security of the state, to meet the national interests of the country, to create conditions for economic growth.

However, practice shows that the directions of reforming the system of financial control does not fully enforce for reform of the system of intergovernmental relations. Performance results of budget execution reports and supervisory bodies indicate the deterioration of fiscal discipline at both the state and in most regions. What is connected to the lack of clear guidelines for the functions of control over the targeted and

efficient use of public funds. Under these conditions, local governments are playing an increasingly more important in the implementation of internal financial control.

Further use of public internal financial control is to ensure harmonization of internal control and internal audit. That is, is performed in the management process, which should provide identification and risk analysis of institutions for the purpose of preventing or restricting.

In this connection, evaluation of the effectiveness of local governments for use of public funds will allow time to avoid any problems associated with the provision of budget programs. The results of evaluation of their effectiveness and monitoring are used to make decisions about making changes in the prescribed manner to the budget allocations of the current budget period of the proposals in the draft budget for the planned budget period and to forecast future periods.

We believe that this in turn gives rise to argue about the need to strengthen the budget and municipal control. Thus, it is necessary to create a common legal framework of the system of budgetary control and legislative consolidation of his subjects of control functions, improve existing procedures, methods and optimization of organizational structures.

### **List of Applied literature:**

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# Internal Financial Control in Management development areas: Ukrainian Experience

*Annotation*

**Julia Gluschenko**

*National Academy of Public Administration Under the President of Ukraine*

*Student of the Ph.D, of the faculty of Regional Management, Local Authorities and City Management*

*Instructor: Volodymyr Udovchenko, Ph.D, Prof.*

Financial control is a multifaceted system analysis and verification of legality, rationality, feasibility of the formation and use of financial resources at all levels of government. In the context of globalization and European integration of Ukraine, namely, the efficient functioning of financial control will help improve the financial security of the state, to meet the national interests of the country, to create conditions for economic growth areas.

Recently in Ukraine dominated the Latin model of public internal financial control, in which the process has become too centralized. The lack of clear criteria for assessing the functions of control over the targeted and efficient use of budgetary resources has led to a deterioration of fiscal discipline at both the state and in most regions.

Thus, unrealistic macroeconomic forecast and the existence of large-scale “tax pits” led to underperformance in 2013 of the consolidated budget of Ukraine for 5.9% of the state budget - 3.5% of the general fund of local budgets by 5.2%<sup>161</sup>. As the revenue budget, economic stagnation and decline in exports of goods and services by 5.1% refund of value added tax rose by 16.1%<sup>162</sup>. This demonstrates the use of illegal schemes. In addition, increased Unsecured be the source of social standards. Committed borrowing diverted from the Special Fund and local budgets, no funding other expenses.

In this connection, further use of public internal financial control is to ensure the harmonization of internal control and internal audit.

Evaluating the effectiveness of local governments for use of public funds in a timely manner will decide in due course making changes to budget allocations of the current budget period of the proposals in the draft budget for the planned budget period and to forecast future periods.

So, this gives grounds to assert the necessity to strengthen the budget and municipal control: creating a common legal framework of the system of budgetary control and legislative consolidation of his subjects of control functions, improve existing procedures, methods and optimization of organizational structures.

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<sup>161</sup> Бюджетний моніторинг: Аналіз виконання бюджету за 2013 рік [Електронний ресурс] / Режим доступу: <http://www.ibser.org.ua>

<sup>162</sup> Міністр фінансів України представив на пленарному засіданні Верховної Ради України звіт про виконання Закону України «Про Державний бюджет України на 2013 рік» [Електронний ресурс] / Режим доступу: <http://www.ndfi.minfin.gov.ua>



გამომცემელი: კავკასიის უნივერსიტეტი, ფრიდრიხ ებერტის ფონდი.

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