

EASTERN PARTNERSHIP

The Role and Significance
in the Process
of Transformation
of the Countries
of Eastern Europe
and the South Caucasus

EDITED BY
PIOTR BAJOR



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of Eastern Europe and the South Caucasus**

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PIOTR BAJOR**




Kraków

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The Role of the Eastern Partnership in Georgian Economic Development

ABSTRACT: This paper analyzes EU-Georgia cooperation, with specific attention paid to the role of the initiatives of the Eastern Partnership (EaP) in the process of the economic development and modernization of Georgia. The paper discusses the EaP's role from the first day of its existence, which continues fully fledged and comprehensive support for Georgia through bilateral and multilateral cooperation, providing technical, intellectual, financial, political, business, and social assistance. The paper specifically focuses on bilateral trade, investments, remittances, tourism and other fields of economic cooperation, all of which have a significant impact on the Georgian economy. The paper shows the EU's contribution to the Georgian economy field-by-field and also shows its aggregated size relative to the Georgian GDP while comparing the results to those of other countries. The paper provides specific conclusions and recommendations for deepening Georgia-EU cooperation through the EaP and other means.

KEYWORDS: Eastern Partnership, EU-Georgia cooperation, economic growth, Sustainable development, Coronomics

Introduction

The Eastern Partnership (EaP) initiative launched by the European Union (EU) and its member states in May 2009 delivered a huge stimulus for Georgia not only from the economic point of view, but more significantly from the moral point of view, to overcome the enormous economic, political, military and social stress caused by Russian military aggression just nine months earlier.¹ Even after twelve years since its introduction, the EaP continues to play a significant role in Georgia's sustainable economic development through its direct priorities and indirect influences and impacts.

Moreover, backed by the success of different projects, initiatives and reforms supported by the EU, the government of Georgia has already declared its willingness to officially apply for EU membership in 2024.² Knowing that application does not mean immediate membership, Georgia has presented its ultimate wish, one it has been fighting for over at least the last two decades. It has even declared its Western orientation in its constitution.

The EU, as one of the most influential players in Georgia, has had significant input in Georgia's comprehensive development, and this continues. However, the direct and hybrid wars in the South Caucasus region have been incessant since the breakup of the Soviet Union,³ thus requests for the West's active participation in all aspects, while considering local specifics.

The EU's role in the Georgian Economy

From the first days of Georgian independence to the present day, the EU has been one of the top economic partners of Georgia, as is evident in all aspects. According to the official statistics of 2020, the Georgian economy gained \$1.77 billion USD from cooperation with the EU, and this is not even counting different grant projects:

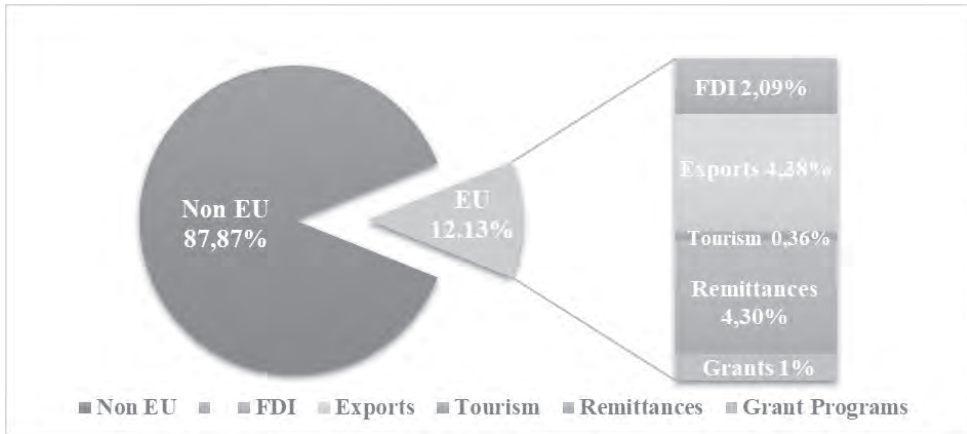
¹ P. Dickinson, "The 2008 Russo-Georgian War: Putin's Green Light", *Atlantic Council*, August 7, 2021. At: <https://www.atlanticcouncil.org/blogs/ukrainealert/the-2008-russo-georgian-war-putins-green-light/>, last accessed November 20, 2021.

² V. Makszimov, "Georgian President Visits Brussels in Push for 2024 EU Membership Application", *Euractiv*, January 22, 2021. At: <https://www.euractiv.com/section/eastern-europe/news/georgian-president-visits-brussels-in-push-for-2024-eu-membership-application/>, last accessed November 20, 2021.

³ K. Gogolashvili, *Ten Years After the Initiation of the Eastern Partnership: What Associated Countries Should Do Next?*, GFSIS Expert Opinion, no. 129, 2009. At: <https://www.gfsis.org/files/library/opinion-papers/129-expert-opinion-eng.pdf>, last accessed November 20, 2021.

from tourism – \$57 million (average spending per visitor – \$800);⁴ investments – \$333 million;⁵ remittances – \$683 million;⁶ and exports – almost \$700 million.⁷ In total, this equals 11.13 percent of Georgian GDP (or \$1.91 billion), or even 12.13 percent in case of also adding grant programs (around €100–120 million annually⁸). (Figure 1).

Figure 1. The EU's role in the Georgian economy as percentage of GDP in 2020



Source: Authors calculation based on GEOSTAT, GNTA and NBG data

The tremendous economic role of the EU in Georgia is clearly visible when compared to the results of other dominant economic partners, where:

- The most traditional market for trade, tourism and remittances for Georgia – Russia – shows 5.6 percent importance/share for the Georgian economy, which is only half of that of the EU (no grants from Russia have been detected);
- The most stable and reliable partner (along with the EU) for Georgia not only in economic terms, but almost in all areas, the USA, has reached the level of 3.5 percent, including plentiful grant programs;

⁴ Georgian National Tourism Administration, *Statistics – 2020*. At: <https://gnta.ge/wp-content/uploads/2021/03/2020-eng.xlsx>, last accessed November 20, 2021.

⁵ National Statistics Office of Georgia, *FDI*. At: https://geostat.ge/media/40349/FDI_Eng-countries.xlsx, last accessed November 20, 2021.

⁶ National Bank of Georgia, *Money Transfer Map*. At: https://analytics.nbg.gov.ge/views/MoneyTransfers/MoneyTransfersMap?iframeSizedToWindow=true&embed=y&showAppBanner=false&display_count=no&showVizHome=no, last accessed November 20, 2021.

⁷ National Statistics Office of Georgia, *Export*. At: <https://www.geostat.ge/en/modules/categories/637/export>, last accessed November 20, 2021.

⁸ Delegation of the European Union to Georgia, *Projects in Georgia*, September 3, 2018. At: https://eeas.europa.eu/delegations/georgia/50014/node/50014_en, last accessed November 20, 2021.

- The top trading partner and one of the most distinguished investors in the Georgian economy, as well as a good source for remittances, Turkey, shows only 3.1 percent, including grants;
- The most rapidly growing economic partner of Georgia for the last decade, China, has reached only 2.9 percent of the Georgian GDP, including small grant programs.

However, at the same time it should not be forgotten that individually these countries are ahead of most EU member states, since the EU is counted as a combination of 28 different countries, considering Brexit after January 31, 2020.⁹ Showing the power of unity, the EU is the most stable, reliable and – even more importantly – promising group of states with whom Georgia had cooperated so far, even though different countries, especially neighboring ones, have tried to implement their own soft and/or hard power over different aspects of the Georgian economy, politics, social life and more. Let us look deeper into the EU-Georgia economics:

Trade. During the past decade, thanks to EaP and other corresponding cooperation mechanisms, the total trade between Georgia and the EU has, according to the GEOSTAT, increased by 50%, reaching \$2.55 billion, making the EU the number one trading partner with Georgia, both in imports and exports. Even more interesting, Georgian exports to the EU market have increased by a significant 140%, which is also the result of (on some level) the diversification of export potential and entrance into new EU markets, leading to Georgia's more complex integration into global value chains. Furthermore, during the same time period the number of companies exporting to the EU from Georgia has increased by 46%,¹⁰ clearly reflecting the mutual benefits of Georgia-EU cooperation.

At the same time it should be noted that for the last ten years, lately for reasons of coronomics, and before that for various reasons including the uptick in the Chinese market, trade between EU and Georgia, initially growing from 2010 to 2016, gradually decreased in the following years and from 2016th 27.9 percent went down to 23.2 percent by 2020, which meant decreases in both exports and imports simultaneously, from 2016 26.0 and 28.4 to 20.8 and 23.0 percent, respectively. By 2020,

⁹ H. Davies, "A Brexit Post-Mortem for the City", *Project Syndicate*, May 18, 2021. At: <https://www.project-syndicate.org/commentary/brexit-impact-on-london-financial-center-by-howard-davies-2021-05?barrier=accesspaylog>, last accessed November 20, 2021.

¹⁰ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *Joint Communication to The European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of The Regions. Eastern Partnership Policy Beyond 2020. Reinforcing Resilience – an Eastern Partnership that Delivers for All*, Brussels, March 18, 2020. At: https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-03/joint_communication_on_the_eap_policy_beyond_2020.pdf, last accessed November 20, 2021.

the EU had become the number two trading bloc for Georgia, with a 23.2 percent share, lagging behind CIS countries, with a 34.4 percent share in the total trade.¹¹

The structure of Georgia's exports and imports to and from EU markets has not changed significantly over the past decade, especially in top positions, but trade continues to increase gradually year after year, thanks to adaptation of Georgian standards to EU requirements, support programs financed by both local and EU budgets, contacts gained over the decade, Deep and Comprehensive Free Trade Agreement (DCFTA) advantages, and other factors. The main products so far exported from Georgia to EU markets are copper ore, nuts, ferroalloys, and wine. The dominant import products are petroleum and petroleum products; drugs and medical equipment; cars, trucks and tractors; phones; and cosmetics. It should be noted that unlike Georgian exports to the EU, in which a few products dominate, EU exports to Georgia are significantly diversified.

While Turkey, Russia, China and Azerbaijan are the top four trading partners for Georgia, making up 44.5 percent of total trade, EU members individually take positions among the top 10. Germany, Bulgaria and Italy are in 8th, 9th and 10th positions, respectively, with a total share of only 9.7 percent. These numbers show that there is still much work to do between the EU and Georgia to meet each other's requirements, expectations and needs regarding quality, price, legislation and more. The process is continuing without a halt, although it is progressing slowly.

Tourism. Unlike trade, the trend in tourism for the last decade, including 2019, was on an uptick, starting from around 100 thousand visitors and finishing with almost half a million in 2019, before the pandemic restrictions all over the world rose to very strict levels. However, it never exceeded 5.2 percent of the total number of visitors to Georgia, with only two countries, Poland and Germany, at the bottom of the top 15 visitors. Because of strict regulations in 2020, the number of tourists from the EU in Georgia decreased by a significant 85.4 percent, in absolute numbers, meaning 77 thousand visitors, or 4 percent of the total number of visitors.¹²

Even though the real driver of Georgia's tourism industry has never been the EU, the Georgian National Tourism Administration claims that they still are among the top in terms of money spent per visitor, averaging approximately \$600, but still lagging behind Saudi Arabia, the USA, Qatar and the UAE, which average between \$750 and

¹¹ National Statistics Office of Georgia, *External Trade*. At: <https://www.geostat.ge/en/modules/categories/35/external-trade>, last accessed November 20, 2021.

¹² Georgian National Tourism Administration, *Statistics – 2020...*

\$1000. Neighbouring Azerbaijan, Russia, Turkey and Armenia are ahead of those in numbers, making up to 70% of all visits, but tourists from those countries spend less.

Considering the facts of the visa-free regime; the availability of direct flights, including on budget airlines; security; and prices, tourism has the chance to be a significant economic linkage for EU-Georgia cooperation in both directions. However, this has outstanding importance for the diversification and development of the Georgian tourism industry and achieving less dependence on other tourists, especially those from Russia, which could be used by the Russian government for their political aims. Dependence could be punished with partial or total blockade of tourism when you less expect it and the reason might not exist at all or could be politically motivated, as it has already happened and not only with Georgia.

Foreign Direct Investment (FDI). Similar to tourism, FDI from EU countries over the last decade been on a positive trend, starting from a 21.9-percent share in 2010 and finishing with 48 percent in 2020, which can be seen as extraordinary considering the challenges of coronomics sweeping through the country over recent years, but is logical in light of the EU's interests and expectations towards the Georgian market. During those years, FDI from the EU in absolute numbers grew from \$190 million to \$293 million, reaching a peak of \$727 million in 2014 and also the significant amount of \$559 million in 2017,¹³ largely in maintaining and creating workplaces, bringing innovation and technologies, providing new export markets and more for Georgia.¹⁴

Summing up FDI of more than \$4.5 billion from 2010 to 2020, the EU became the number one investor in Georgia, with a 31.2% share. Dutch, Luxembourgian and Czech investors (quite often Georgian investors hiding behind representatives of those countries) invested 72% of all the EU investments in Georgia, predominantly in the areas of banking, energy, and trade.¹⁵ During this period the UK alone invested over 1.8 billion in Georgia, mostly in the banking sector (both major Georgian banks are listed on the London Stock Exchange¹⁶).

It is interesting to underline that almost the same amount of FDI as from the EU, during the same period of time, was made by Georgia's neighbouring countries of Azerbaijan (approx. \$2.5 billion), Turkey (approx. \$1.25 billion), Russia (\$528

¹³ National Statistics Office of Georgia, *FDI...*

¹⁴ V. Charaia, A. Chochia, M. Lashkhi, "The Impact of FDI on Economic Development: The Case of Georgia", *TalTech Journal of European Studies*, vol. 10, no. 2 (2020), pp. 96–116.

¹⁵ V. Charaia, M. Lashkhi, "An Analysis of the Motives Underlying Foreign Direct Investments (The Case of Georgia)", *Central Asia & the Caucasus*, vol. 19, no. 4 (2018).

¹⁶ R. Fischer, *Top Georgian Companies Listed on the London Stock Exchange*, July 23, 2020. At: <https://www.reinischfischer.com/top-georgian-companies-listed-london-stock-exchange>, last accessed November 20, 2021.

million) and Armenia (\$105 million), with total investments of \$4.372 billion, or a 30.1 percent share.

Remittances. Remittances for the decade from 2010 to 2020 surpass the amount of FDI from EU member states by almost 1/5th, making up \$5.423 and \$4.522 billion, respectively. Statistics reveal that the value of remittances from 2010 to 2020 has increased 2.8 times, from \$275 million to \$763 million,¹⁷ pointing towards several assumptions:

1. The number of Georgians in EU 28 has increased, including diversification among those countries;
2. The average income of those migrants has increased and was more or less stable even during the first year of the pandemic chaos, stabilizing considerably later on;
3. Various programs offering official employment, along with the visa-free regime, has boosted both employment and the value of remittances from EU to Georgia.

Improvement has happened in the prism of EU's share in total remittances, starting at 26% in 2010 and finishing with 40.5% in 2020. It should be mentioned that the dominant majority of those remittances are below \$1000, typically at around \$500, which means that those funds are not for business operations, but are person-to-person transactions, normally used by receivers to cover their everyday needs, including costs of food, medicine, utilities, bank services, etc., significantly easing their financial challenges with the help of EU-generated income.

Grants. Being one of the top donors to Georgia, since 1992 the EU has spent more than €2 billion in Georgia in the form of grant projects, covering all possible areas and sectors of the country's life, including democratic development, agriculture, and strengthening of governmental institutions. Along with political support, EU granted Georgia €500 million after Russia's military aggression in Georgia,¹⁸ which played a significant role in the stability of the country during the most unstable period. Being one of the front runners under the EaP provided Georgia with a more-for-more deal, which meant more financial support for deeper cooperation and reforms. Under this particular initiative the country has received an additional €121 million since 2014.

The EU, aiming at improving democratic, business, and social aspects in a tangible and visible manner, provides around €100–120 million to Georgia annually, in

¹⁷ National Bank of Georgia, *Money Transfer Map*. At: https://analytics.nbg.gov.ge/views/MoneyTransfers/MoneyTransfersMap?iframeSizedToWindow=true&embed=y&showAppBanner=false&display_count=no&showVizHome=no, last accessed November 20, 2021.

¹⁸ D. Brunnstrom, "Donors Pledge \$4.5 Billion for Georgia Recovery", *Routiers*, October 22, 2008. At: <https://www.reuters.com/article/us-georgia-donors-idUSTRE49L2IB20081022>, last accessed November 20, 2021.

a form of grant assistance in line with the Association Agreement.¹⁹ In general, grants are provided under the Single Support Framework, which is usually designed for 3–4-year period and is based on a bilateral agreement between the EU and Georgia. According to the MFA, the 2014–2016 program budget was set up for €350 million, while the 2017–2020 program budget varied from €370 to €450 million, depending on different circumstances.

Those grants are usually spread between budgetary needs (usually around 60 percent) and specific supportive programs (usually around 40 percent) such as TWINNING, SIGMA, Horizon 2020, ENPARD, and support to the NGO sector. Georgia is also a part of various regional and thematic aid programs, which usually cover relatively small-budget projects but still play an important role in different aspects. However, despite everything, from time to time these grants become the subject of speculation in the local political arena, since those transfers significantly depend on the political stability in Georgia, the reforms it has undertaken, and the sustainability achieved.

Free Trade Agreement. On top of financial support mentioned above, cooperation between the EU and Georgia in light of the free trade agreement has made Georgia one of the most interesting countries in the international arena for attracting foreign direct investments, at least for the post-covid period. However, Georgia's Western orientation and close cooperation with the EU and the US have caused some challenges, for instance in terms of cooperation with China,²⁰ with its veiled threats of political and economic pressure.

It is not likely not a coincidence that Beijing approached Tbilisi with an FTA proposal shortly after Georgia reached an Association Agreement (AA) with the EU, joining the DCFTA. From the perspective of international competition, there are only four countries (Israel, Iceland, Switzerland and now Georgia) which have a free trade regime simultaneously with the EU and China,²¹ while none of the other three are direct competitors to Georgia.²² This fact could turn Georgia into a hub for at

¹⁹ European Commission, *European Neighbourhood Policy and Enlargement Negotiations. Georgia*. At: https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy/countries-region/georgia_en, last accessed November 20, 2021.

²⁰ D. Shatakishvili, *Who Benefits from the Challenges of the Chinese Economy and the Role of Georgia?*, *China-USA Business Review*, vol. 20, no. 3 (2021), pp. 126–137. At: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3880940, last accessed November 20, 2021.

²¹ V. Charaia, M. Lashkhi, *Strategic Cooperation Between China and the South Caucasus Countries*. In: M.D. Sahakyan, H. Gärtner (eds.), *China and Eurasia*, London: Routledge 2021, pp. 145–162.

²² V. Charaia, M. Lashkhi, *China and Georgia: The Economic Ties that Could One Day Bind. In: A Sea Change? China's Role in the Black Sea*, Washington, DC: Middle East Institute 2020, pp. 28–42. At: <https://mei.edu/sites/default/files/2020-11/A%20Sea%20Change%3F-China%27s%20Role%20in%20the%20Black%20Sea.pdf>, last accessed November 20, 2021.

least China-EU trade and investments, since hidden trade and investment wars are challenging their direct cooperation opportunities. However, the number one threat to such a prospect, as well as the number one guarantor of its realization, turns out to be the West.

Transport. As in the other directions, Georgia's cooperation both bilaterally and under the EaP is fruitful in the transport sector. The top priority for Georgia here is legislative approximation with the EU and integration into the European transport system.

Under the AA, Georgia is obligated to implement 12 directives/regulations in the transport sector, eight in the railway sector, and 22 in marine transport. Fortunately, in the aviation industry the main document on a "common aviation area agreement" was signed back in 2010 and entered into force in August 2020.

Under its Technical Assistance program, the EU is significantly supporting Georgia's upgrade to EU levels in the marine, auto, railway and aviation spheres. The most important projects for recent years are:

- Twinning project on "Georgia Aviation Legislation Approximation with EU Standards" during 2015–2017;
- Formation of high-level dialogue on transport issues, with a first session held in January 2019, and a second scheduled for 2020 postponed due to the coronavirus pandemic;
- EU expert's online mission in Georgia for Maritime Single Window principle implementation under the EU's Technical Assistance and Information Exchange program in July 2020;
- An ongoing Railway Twinning project, which started on March 2021 and aims at Polish experience-sharing with Georgia;

Under the EaP initiative:

- The Trans European Transport Network (TEN-T) has been expanded over the Eastern Partnership area, providing additional opportunities for Georgia since January 2019;
- A European Transport Networks investment plan has been developed, which implies support in the creation of new – and the upgrading of existing – roads, railway, seaports, airports, logistical centres and border crossing checkpoints by 2030 in all EaP countries, including Georgia;
- The planned foundation of an EaP Road Safety Observatory, to improve the safety on the roads through best-experience sharing, importantly with the office secretariat in Georgia.

EU framework programs. On top of the EaP programs, Georgia benefits from the EU's 18 different Framework Programs, such as: Asylum and Migration Fund (AMIF); Civil Protection Mechanism; COPERNICUS; COSME; Customs 2020; Creative Europe; Erasmus +; EU Aid Volunteers; European Maritime and Fisheries Fund; Fiscalis 2020; Galileo and EGNOS Programmes; Health III; Hercule III; Horizon 2020 including COST; Internal Security Fund; LIFE Programme; Pericles 2020; and EU Aid Volunteers. Each of these covers different areas oriented towards Georgia's development. Currently Georgia is part of three framework programs:

- ERASMUS +

Georgia takes eighth position among the 141 countries involved in the Erasmus + program, meaning that more over one thousand students and university staff have visited EU universities, and around the same number of EU representatives have visited Georgia for educational purposes. Based on those results, the EU offered a Special Funding Window to Georgia, which means more grants and more Georgian students and staff visiting EU universities in upcoming years.

- Horizon 2020

Under its associated member status, Georgia was part of 21 different projects financed under the EU's most significant scientific program. In total, 26 different Georgian organizations received more then €2.22 million.

- Creative Europe

Georgia was the first country from the Eastern Partnership to sign an agreement on Creative Europe membership. Since becoming an official member, 22 different projects have been financed with Georgian participation, and the number of projects is rising.

Business Support through SME empowerment. Separate attention in EU–Georgian relations should be devoted to support programs for small and medium enterprises (SMEs), which form the backbone of the Georgian economy, representing: a) 99.8 percent of all active companies in the country, b) 41 percent of total turnover, c) 58 percent of employment, d) 59 percent of value added, and e) 58 percent of total output.²³ The EU provides funding, training, and export support through its EU4Business initiative. Starting from 2009, more than 63,000 SMEs, microenterprises and farmers received various grants and loans. On top of that, innovative SMEs and small mid-cap companies received an extra €130 million. In 2019 alone, more than 36 thousand SMEs were supported through the EU4Business Initiative in Georgia,

²³ V. Charaia, A. Chochia, M. Lashkhi, "Promoting Fintech Financing for SME in S. Caucasian and Baltic States During the Covid-19 Global Pandemic", *Journal of Business Management and Economics Engineering*, vol. 19, no. 2 (Forthcoming); V. Charaia, M. Lashkhi, SME Sector Development through Fintech in Georgia, *Globalization and Business*. 12, (2021), pp. 179–185.

generating €414.8 million in income and 31,443 new jobs, growing their turnover by 14.4 percent, and increasing their exports by 3 percent.²⁴ At the same time they have supported Georgia's national currency stability²⁵ through macroeconomic activity.

For the import-dependent Georgian economy, it is important to promote its own agricultural production, which has all the necessary bases, but a lack of capital and interest. Through the European Neighbourhood Programme for Agriculture and Rural Development program, the EU is supporting modernization of Georgian agriculture by supporting a cooperative model of business, and providing 1,600 co-operatives with financial and technical support and establishing 59 information and consultation centres throughout the country, which have trained over 25 thousand farmers so far. It should also be mentioned that agricultural support does not mean only import substitution for Georgia, but it importantly guarantees a reduction in rural poverty, and it prevents migration.

Coronomics. Georgia-EU cooperation has been tested once again during the coronomic crisis, which started at the beginning of 2019. As a reliable partner, Georgia has of course done much in the joint fight against Covid-19, although in this paper we analyse EU tolerance to Georgia, which besides significant moral support has also provided €282 million in grants and a €150-million preferential loan, targeted at meeting coronomic challenges. EU grants consisted of 1) €183 million in budgetary and grant aids for mitigation of socio-economic challenges; 2) €70 for support to SMEs; 3) €25 million for the healthcare system; and 4) €4 million for NGOs and social entrepreneurship support. On top of that, a €150 million preferential loan was provided for macro-economic stability in the post-crisis period.²⁶

Being the most significant challenge not only for Georgia, but the whole world, the coronomic crisis has resulted in increased unemployment, decreased investments and tourism, increased budget deficits and public debt, increased unforeseen costs for healthcare, and more.²⁷ All of this has caused significant stress to the Georgian

²⁴ European Union Eastern Partnership, *Facts and Figures About EU–Georgia Relations*, 2021. At: https://ec.europa.eu/neighbourhood-enlargement/system/files/2021-03/eap_factsheet_georgia.pdf, last accessed November 20, 2021.

²⁵ O. Anguridze, V. Charaia, I. Doghonadze, *Security Problems and Modern Challenges of the Georgian National Currency*, Tbilisi: State University 2015. At: <http://eprints.tsu.ge/1201/1/Security%20Problems%20and%20Modern%20Challenges%20of%20the%20Georgian%20National%20Currency.pdf>, last accessed November 20, 2021.

²⁶ Embassy of Georgia in France, June 9, 2020. At: <https://www.facebook.com/ambassadegeorgieenfrance/photos/3027861087260265>, last accessed November 20, 2021.

²⁷ V. Papava, V. Charaia, *The Coronomic Crisis and Some Challenges for the Georgian Economy*, GF-SIS, Expert Opinion, 136, 2020. At: <https://www.gfsis.org/files/library/opinion-papers/136-expert-opinion-eng.pdf>, last accessed November 20, 2021.

economy, and if not for the moral, political, medical and financial support of strategic partners, it could result in significant problems for Georgia. Fortunately, however, the Georgian economy has proved to be one of the fastest recovering economies in both the region and the world.

Summary and recommendations

The financial and political incentives of the EU have spurred Georgia to reform and upgrade over recent decades, bringing both challenges (mostly related toward EU standards adoption, painful sometimes) and enormous benefits to the country and its citizens.

It is vitally important for Georgia to have a stable and reliable partner in the EU, not only for its sustainable economic development and diversification of economic activities, but most importantly to balance the various kinds of threats stemming from the Global or regional perspectives, such as Covid-19 or the Russian factor in particular. Or even to facilitate the local challenges, derived from the social, economic, political or other types of challenges.

COVID-19 pandemic has proven to be a good example of a global threat, and a reason why Georgia must maintain its bonds with its trustworthy Western partners. If not Western partners and EU in particular, Georgia could get into a collapse, would it be because of scarcity of adequate medical equipment, panic caused by the vaccines shortage/unavailability or inability to meet budgetary obligations for the reason of being lack in financial resources.

Different bilateral and multilateral projects between EU and Georgia, including the EaP, have had a dramatic role in the development of Georgia in many aspects, but most importantly in terms of strengthening democratic institutions, supporting sustainable economic development, upgrading social life standards, and securing overall stability. This should be continued further, requesting more bold actions from the Georgian side to reach the ultimate goal of EU membership or alternatively reaching EU levels even without membership, while guaranteeing top standards for its citizens and international partners.

At the same time, it should be considered that neither the EU nor its promising projects can guarantee any success without real political and public will and aspirations on the Georgian side, which also has to be fed tangible fruit from time to time. Such as it was a visa free regime and free trade agreement. to prevent stagnation and the rise in Euroscepticism stemming from the hybrid war and the fact that step-by-step

adaptation to EU standards usually takes a significant amount of time and sacrifice, although it will be beneficial in the end.

As a recommendation for the future cooperation, EU-Georgia have a great chance of win-win cooperation through FTA. This could convert Georgia to a real economic, transit, trade and investments hub in the region. While EU and the west at large could benefit from the indirect access to the markets problematic nowadays, because of open or hidden trade and investments wars, such as Chinese market. On the top of those interests, overall strengthening of Georgia could support the diversification plan of the EU to decrease the dependence on particular countries, which can use their dominance/superiority for the political reasons.

Georgia willing to apply for the EU membership in 2024, should remember that it is not an easy process, but more importantly the membership itself should not be the goal, but reaching the same (economic, life, educational, healthcare, scientific and etc.) standards which EU average citizen has. While those two goals are not contradictory, Georgian government has to remember that the opportunities provided by the EU, such as it was EaP, FTA, visa free regime, DCFTA or others, should be squeezed out first. On the other hand, EU also has tested Georgia as a reliable partner for many decades already, which makes partnership mutually beneficial.

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The publication contains a collection of articles devoted to the most important aspects related to the process of transformation of the countries of Central and Eastern Europe and the South Caucasus under the Eastern Partnership program. The book covers the results of a research project by an international team of scientists who present their findings on the policy of European integration, the role and importance of the Eastern Partnership in the process of change, and give recommendations for its implementation and activities in the future.



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