

*Секция: 8. Экономические науки.*

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## **SOME ISSUES ON UKRAINE, GEORGIA AND THE REPUBLIC OF MOLDOVA INTEGRATION TO THE EU**

Nowadays economic development of any country is also associated to its place in the world economy and to its contribute to the world economy, as well as to other spheres – social and cultural. In other words, interrelation and interpenetration of social, economic and cultural spheres of a particular country with other countries or interstate associations on regional and global levels have led to overall effect of globalization.

The Organization for Economic Co-operation and Development (OECD) defines the term globalization as the term generally used to describe an increasing internationalization of markets for goods and services, the means of production, financial systems, competition, corporations, technology and industries [5, p. 170]. In general, processes of trade liberalization, transnationalization and integration are associated with globalization. So, it is obvious that one of the most important elements of globalization is trade.

There are some positive effects of globalization on international trade: the reduction in the prices of consumer and capital goods due to increased competition and improvement in production efficiencies; rationalization of production to raise productivity and lower costs; eliminating barriers to the transfer of technology, goods and services; thus, accelerating economic development and international trade.

Globalization itself starts from regional integration. There are different types of regional integration characterized by their stage of development, among them are the

following:

customs union that establishes common tariffs for countries outside the group;

common market that raises restrictions on the movements of factors of production within the region;

economic union with common macroeconomic policy .

The European Union is an example of economic union with common market and customs regulation. During 2002-2013 the EU was the leader in the world's exports with share 16,3 % in 2013 [6]. At the same time the share of the USA in world exports considerably dropped to 11,1% in 2013 while China's increased significantly – multiplied twice – from 7,4% in 2002 to 15,6% in 2013. Thus, China has become a direct competitor of the EU in world trade. So, in order to hold its position the EU needs to develop its trade relations with European and non-EU countries, first of all, such opportunities give Association Agreements including a Deep and Comprehensive Free Trade Area (AA/DCFTAs) with Ukraine, Georgia, and the Republic of Moldova.

The AA/DCFTAs signed in 2014 have brought the relations between the EU and Ukraine, Georgia, and the Republic of Moldova to a new level. These agreements aim at strengthened political association and economic integration, they also constitute a plan of reforms that is going to closer the countries to the EU by aligning their legislation and standards to the EU ones [3]. So, the AA/DCFTAs are aimed to boost trade with the partner countries and for Georgia and the Republic of Moldova, and provisional application of the DCFTA has successfully pushed the development of trade with the EU in 2014, the provisional application of the DCFTA for Ukraine was postponed until January 1<sup>st</sup> 2016 [3].

Tombinski J. outlined that the AA would offer Ukraine the best possible opportunity to become a truly European country in every sense and that it would help to improve its business climate, to increase investment and to address the serious macro-economic challenges facing the country [8]. This statement support also Ukrainian economists, though some of them are aware of further development of Ukrainian industry and, in general, of its competitiveness and readiness of Ukraine to

stand upon its national manufacturers' rights.

Taking into account the structure of Ukrainian imports to the EU and, in general, its production capacities, there is to be noted that Ukraine has a significant comparative advantage in raw materials, characterized by low degree of processing and low added value (plant and animal products, metals and chemical products), its manufactured goods are less attractive for the EU market, but Ukraine has a huge potential to develop its industries and to increase quality of its manufactured products in order to compete with such big partners of the EU like China and India at least. The EU, from its side, and its member states have significant advantage in high-tech products. Also, within AA Ukraine has obtained opportunities to develop its hi-tech production in cooperation with the EU countries that is going to be beneficial for both parties: Ukraine will have necessary access to work together with the EU institutions and organizations, as well as access to different grants and programs, and the EU will expand its economic and science relations in the Eastern Europe. Therefore, one can expect large potential benefits of the AA/DCFTA between partners.

As well as for Ukraine, for Georgia AA/DCFTA is also aimed to deepen political and economic relations with the EU, and to gradually integrate Georgia into the EU Internal Market. The Agreement will offer Georgia a framework for enhancing its trade and for economic growth by the removal of customs tariffs and quotas, and by a comprehensive approximation of laws, norms and regulations in various trade-related sectors, that will facilitate Georgia's progressive integration with the EU economy [4]. Of course, Georgia has also to provide a range of reforms in different spheres.

For Georgia it is necessary to pay more attention to implement appropriate regulations and standardization procedures according to the AA/DCFTA requirements. In general, for Georgia it would be quite difficult to compete on the EU market, but the AA/DCFTA opens a lot of opportunities for the country. Exporting near 30% of its exports volume to the EU Georgia has quite good prospects for increasing its exports to the EU, especially, of agriculture products.

The share of the EU in Georgia's exports and imports indicates that the EU

plays one of the leading roles in the country's trade relations, but the structure of Georgia's gross value added shows imbalance in the country's economy [1-2]. So, to increase exports country is advisable to develop industry and agriculture and to stimulate national manufacturers to increase exports of commodities. Adaptation of its legislation and standards, realization of reforms will help Georgia to get its place on the EU market.

For the Republic of Moldova the AA/DCFTA represents a complex reform agenda in key areas to ensure the functioning of the economy according to the principles of market economy [7]. Trade relations of the Republic of Moldova with countries of the EU demonstrate their strengthening: the volume of the country's exports to the EU considerably increased for 2002-2014 period as well as its imports from the EU ( more than 50% of exported products go to the EU countries and almost 48% of imported products come from the EU countries) [2]. Further development of the Republic of Moldova's trade under the AA/DCFTA needs providing essential reforms for the country.

Thus, for Ukraine, Georgia and the Republic of Moldova the AA/DCFTAs imply huge opportunity for economic integration, as well as support in the process of implementation a wide range of economic reforms. The AA/DCFTAs are targeted on the increase of integration of these countries in the world economy and trading activity and providing more opportunities for extending their trade relations.

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