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PRESSING ISSUES OF ECONOMIC INTEGRATION OF CROATIA AND GEORGIA

Applying to the international experience with the purpose to develop national economy is of great importance in modern times. The present paper studies a number of pressing issues of social and economic development of Croatia and provides suggestions what can be taken into consideration in Georgian reality. Tourism is considered as one of the key directions of development in Croatia. There is no direct relation between NATO and the European Union but before the EU membership Croatia joined NATO on April 1, 2009. Croatia is actively involved in globalization and integration processes. The country is actively trying to attract FDI and cares to improve the competitiveness of its economy. There is an Investment and Competitiveness Agency in Croatia. In our opinion, introduction of this experience in Georgia is very important. EU membership is profitable for Croatia. It is desirable to study and use the Croatian experiences for socio-economic development of Georgia.

Keywords: Croatia, economic integration, free trade, Georgia, economic development.

РАМАЗ ПУТКАРАДЗЕ

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ВИСВІТЛЕННЯ ПИТАНЬ ЕКОНОМІЧНОЇ ІНТЕГРАЦІЇ ХОРВАТІЇ ТА ГРУЗІЇ

Міжнародний досвід має велике значення в сучасний час для розвитку національної економіки будь-якої держави. У статті розглядаються особливості соціально-економічного розвитку Хорватії. В даній роботі досліджується низка актуальних питань соціально-економічного розвитку Хорватії та надаються пропозиції, які можна враховувати в грузинській дійсності. Хорватія є останньою, 28-ю державою-членом Європейського Союзу. Хорватія багата ресурсами і швидко розвивається, активно прагне до подальшої інтеграції у світову економіку. Туризм вважається одним з ключових напрямків розвитку Хорватії. Хорватія активно бере участь у процесах глобалізації та інтеграції. Членство в ЄС є вигідним для Хорватії. Країна активно намагається залучити прямі іноземні інвестиції та піклується про підвищення конкурентоспроможності своєї економіки. У Хорватії є Агентство з інвестицій та конкурентоспроможності. На нашу думку, впровадження цього досвіду в Грузії дуже важливим. Багато вивчати і використовувати хорватський досвід для соціально-економічного розвитку Грузії.

Ключові слова: Хорватія, економічна інтеграція, вільна торгівля, Грузія, економічний розвиток.

Both countries, Georgia and Croatia, have a common communist past. However, currently there are differences between the economies of these countries. Croatia is a member of the European Union, while Georgia is trying to get closer to the EU and the country signed the Association Agreement not long ago.

Croatia is the 28th member state of the EU. Five years have passed since the country joined the EU. 2018 was an important year for Croatia for various purposes, like 2nd place in the World Cup, which is a significant international success for the country.

Croatia has a unique geographical location and is a member of the European Union, the United Nations Organization, the Council of Europe, the NATO, the World Trade Organization and many other international organizations.

Some of the scientists believe that Croatia was not lucky as the country joined the EU at unfavorable time when even the leading European countries faced difficulties in developing due to financial crisis. Nevertheless, majority of Croatian population expressed enthusiasm towards joining the European Union and consider this event as a major achievement of the last decade. In the referendum held in January 2012, 66% of the population voted for joining the EU. However, there are some sceptics who consider that integration into the EU is associated with undertaking a number of obligations that may have some negative consequences. One more problem is that when a country becomes a EU member state, generally, prices go up. But in a few years after the integration the economy of the country becomes much stronger and more robust.

Croatia's GDP amounted to USD 24.5 billion in 1990; GDP growth rate higher than 5% was observed in 2002 and 2003 [1, p. 92]. In 2017, the country's GDP increased to USD 55 billion (a maximum USD 70.48 billion in 2008) and GDP per capita to USD 13.2 thousand.

There have been continuous changes in territorial arrangement of Europe since 1798. There are only very few countries, which did not experience territorial changes; these are Andorra, Liechtenstein, San Marino. Except of these rare exceptions, territorial arrangement of Europe mainly changed [2, p.13]. After the overthrow of the Communist regime in Europe, the countries of Yugoslavia were able to gain independence. Croatia declared its independence on 25 June 1991 and separated from Yugoslavia based on the results of the referendum held on 8 October 1991.

The population of Georgia is 3.7 million as of January 1, 2018 and the population of Tbilisi, the capital city, is 1.16 million (e.g. more than 31% of the country's population). The country covers an area of 69,700 square kilometres and the population density of Georgia is about 65.2 people per square kilometre, while in capital city Tbilisi it is 2272 [3]. The territory of Croatia is smaller compared to Georgia. The population of Croatia is 4.2

million as of January 1, 2018 and the population of Zagreb, the capital city, amounts to 800 thousand (19% of the country's total population). The territory of Croatia covers 56,594 square kilometres and the population density of the country is 74.1. Croatia is one of the less populated European countries like Norway, Finland, Sweden, Estonia, Latvia, Lithuania, Ireland and Bulgaria.

Tourism is considered one of the key directions of Croatia's development. The contribution of tourism to the country's GDP is about 20%, which is quite high compared with the contribution of tourism to the GDP in the EU, which amounts to 10% [4, p. 9]. According to the National Statistics Office of Georgia, contribution of tourism to total output of the country's economy is 7.3%. It is desirable to cooperate with Croatia in tourism sector.

The positive impact of tourism is reflected on Croatian economy; in particular in the sectors like retail trade, processing industry, employment, etc. It is considered that tourism significantly reduces negative foreign trade balance of the country. Further development of tourism is observed in the country in recent years that contributes to the creation of jobs and improving the level of living in the country. Development of tourism provides various advantages: development of the chains of hotels and restaurants, as well as development of food industry and other sectors. Tourism development can be considered as a means for encouraging local production and export. The increase in tourist flows allows the producers who cannot export their products to sell their products on local markets. In addition, tourists from the EU countries play a significant role in Croatian tourism, which provides important economic, social and cultural benefits. Croatia has the greatest potential for tourism development and the country has some competitive advantages in this regard; therefore, tourism is one of the main directions of the country's development strategy.

Georgia is one of the post-Soviet countries on the way to market relations. The country has successfully implemented a number of social-economic reforms and is committed to democracy and the integration into the world economy. Currently, the main vector of foreign economic relations is getting closer to the EU and trade and economic integration with the Union [5–9, 16].

Georgia is actively trying to encourage sustainable development of tourism, increase in revenues and raise the importance of the sector. Implementation of various activities is required for increasing tourist flows from the EU countries.

The development goals set by the Georgian Tourism Development Strategy 2025 are the following: increasing the income received from international tourism from current USD 1.9 billion to USD 6.6 billion; the tourism sector must contribute 7.9 percent of GDP to the economy; increasing the average amount spent by each visitor from USD 328 to USD 600; increasing the number of people employed in tourism sector by 90% (from 158 515 to 301 284); increasing the average duration of visits from 5 to 7 days; increasing Foreign Direct Investments (FDIs) flowing into the tourism sector by 63 percent – a growth from today's USD 723 million to USD 1,178 million per year; doubling the number of visitors from European, Asian and North American high-paid markets [10, p.10]. According to the National Statistics Office of Georgia, contribution of tourism to total output of the country's economy is 7.3%, which is quite low. The share of tourism in Croatia's GDP is quite high. Therefore, in our opinion, it is desirable to cooperate with Croatia in tourism sector.

On the other hand, integration with the European Union will not make a miracle. It was not able to solve all socio-economic problems of Croatia at one stroke. There are a number of economic challenges in Croatia, including high rate of unemployment, which remains one of the most acute problems in the country. When Croatia joined the EU, unemployment was 20%. According to the latest data it is reduced and amounts to 12%, but it still high compared to most EU member states.

According to Eurostat data, a declining trend of unemployment has been observed in the European Union and especially in Eurozone member states in recent years. However, there are substantial differences between the member countries; e.g., unemployment rate reaches 2.9% in Czech Republic; 3.8% in Malta; 11.2% in Italy; 17.2% in Spain and 21.5% in Greece [11, p.11]. It should be noted that there is a huge difference between economic indicators of Georgia and Croatia [12, pp. 444-445].

Croatia and the European Union. Croatia is the last, 28th member of the European Union. Croatia successfully continues closer trade and economic integration with the EU and socio-economic development. One of the subsequent goals of the country is to join the Eurozone and Schengen zone.

Export volume of Croatian goods exceeds the volume of Georgian export 5 times. Export of Croatian goods amounted to USD 13.7 billion in 2017 (to compare with, export of Georgian goods amounted to USD 2.7 billion in 2017 and export without re-export totalled to USD 2 billion), while import of goods amounted to USD 21.3 billion (to compare, import in Georgia amounted to USD 7.9 billion in 2017). Negative trade balance of Croatia was USD 7.6 billion. Export coverage with import ratio is 63% in Croatia and 34% in Georgia.

Production of export goods should become a priority direction in Georgia, but at the same time, import substitution sectors should be also developed [13, p. 429]. It is necessary to reduce negative trade balance of Georgia, increase the volume of export and achieve its gradual diversification. Increase in export, in turn, is one of the basis for economic growth.

Croatia has close trade and economic relationship with the EU; accordingly, the EU accounts for a large part of Croatia's export and import. One of the characteristics of Croatia's foreign trade is that it has a negative trade balance. The EU countries account for 66% of Croatia's export (Italy – 14%, Slovenia – 12% and Germany – 12%) and 75% of the country's import (Germany – 16%, Italy – 12% and Slovenia – 11%).

Conclusions. First NATO, then the EU. There is no direct relation between these two international organizations but before the EU membership Croatia joined NATO on April 1, 2009.

Investment and Competitiveness Agency. Croatia is actively involved in globalization and integration processes. The country is actively trying to attract FDI and cares to improve the competitiveness of its economy. There is an Investment and Competitiveness Agency in Croatia. In our opinion, introduction of this experience in Georgia and caring for the improvement of the competitiveness of the country's economy is very important. Croatia has the Ministry of Foreign and European Affairs. From our point of view, it is possible to combine the Ministry of Foreign Affairs and the Ministry of European Integration. Similar practice exists in many European countries.

The socio-economic development strategy of Georgia – Georgia 2020 describes the problems and the priorities that need to be solved to achieve long-term, sustainable and inclusive economic growth [14, p.7]. The Strategy states that Georgia should rank 40th on the Global Competitiveness Index by 2020.

Georgia is actively trying to encourage sustainable development of tourism, increase in revenues and raise the importance of the sector. Implementation of various activities is required for increasing tourist flows from the EU countries. Active measures need to be taken to attract more tourists from the EU (and other) countries. It will be interesting to share Croatian experience in this direction.

Georgia should continue further integration with the EU and increase its trade and economic cooperation with its member states. Increasing Georgia's export to the EU still remains a major challenge. As noted above, the volume of Georgian export amounts to USD 2.7 billion, while export of Croatia amounts to USD 13.7 billion; e.g.5 times more than Georgia's.

Croatia has the Ministry of Foreign and European Affairs. From our point of view, it is possible to combine the Ministry of Foreign Affairs and the Ministry of European Integration. Similar practice exists in many European countries.

Most of the economic studies show that EU membership is profitable for Croatia. However, competition in Croatia has led to new challenges and possibilities. Unemployment is reducing in the country, new jobs are created and economic growth is accelerated; as a result the country's GDP increases. To sum up, the results of economic integration of Croatia with the EU are as follows: the country's GDP increased; Croatia's export increased (especially export to the EU); Croatia's import also increased; direct foreign investments in Croatia increased. In addition, trade and economic cooperation between Croatia and the EU deepened. The number of the branches of foreign companies (especially of the EU companies) in Croatia and the average life expectancy in the country increased. Croatia successfully continues development of its economy and further integration with the EU.

To conclude, EU membership is profitable for Croatia. It is desirable to study and use the Croatian experiences for socio-economic development of Georgia. Croatia continues the country's economic development successfully. One of the subsequent goals of the country is to join the Schengen zone.

Thus, if we analyze economic development of the 28th member state of the European Union in recent years, we can surely say that in terms of proper economic policy, Georgia's economy will be significantly improved on the path of European integration.

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