The European Union: Why Is It the Only Choice for Georgia?



n December 2023, Georgia was given official status of a candidate state of the European Union. This decision was not easy, and the nation went through years (or even centuries) of efforts to align its future with Europe. The independence Georgia gained after the collapse of the Soviet Union was a long and difficult experience – the first years of independence did not promise much, but the reforms that started in 2004 created chances to join the Euro-Atlantic community.

In 2008, Russia attacked Georgia and occupied its two regions, limiting the speed of its reforms and development. The European Union answered this with new initiatives of the Eastern Partnership (EP)¹ converted into Association Agreement² and Deep and Comprehensive Free Trade Agreement with Georgia, Ukraine, and Moldova.³ Alarmed by this, Russia attacked Ukraine and occupied Crimea and part of the Donbass region, which was continued with the 2022 wider invasion of Ukraine. The European Union offered to the EP trio (Georgia, Moldova, and Ukraine) acceleration of their path toward membership in the EU. As a result, the three nations were granted the candidacy status - Moldova and Ukraine in 2022, whereas Georgia in 2023⁴.

The discussions before receiving the candidacy status in Georgia were quite tough and came under pressure of openly pro-Kremlin groups, as well as with hesitation on the side of the government. However,

MOST GEORGIANS INSTINCTIVELY OPPOSE ANY TIES WITH RUSSIA AND CHOOSE THE EU

the majority of the pro-European population regards this move as a major chance to get rid of the Russian political and economic influence and be a member of a club that respects individuals and their families⁵.

On the other side of Georgia's choice is Russia and its Eurasian Economic Union (EEU). However, most Georgians instinctively oppose any ties with Russia and choose the EU⁶, even though Russian propaganda is still powerful. Directly financed by groups from Russia attempt to deceive Georgians that Russia is a good choice despite extensive evidence to the contrary. This is why many people can be trapped with propaganda narratives prepared in Russia⁷.

¹https://www.eeas.europa.eu/eeas/eastern-partnersh ip_en

²https://ec.europa.eu/commission/presscorner/detail/ sl/MEMO_14_430

³ <u>https://trade.ec.europa.eu/access-to-markets/en/co-ntent/eu-georgia-deep-and-comprehensive-free-trade-area</u>

⁴https://commission.europa.eu/news/enlargement-commission-recommends-starting-accession-negotiations-ukraine-moldova-bosnia-and-2023-11-08_en

⁵ <u>https://www.atlanticcouncil.org/blogs/ukrainealert/</u> russia-is-losing-in-ukraine-but-winning-in-georgia/

⁶ <u>https://www.iri.org/resources/national-public-opin-</u> ion-survey-of-residents-of-georgia-march-2023/

⁷ <u>https://ecfr.eu/publication/broken-dream-the-oligar-</u> ch-russia-and-georgias-drift-from-europe/

GEORGIA NEEDS GOOD KNOWLEDGE OF WHAT THESE CHOICES PROMISE TO ITS PEOPLE IN ORDER NOT TO GET INTO ANOTHER TRAP OF LONG-RUN POLITICAL AND ECONOMIC OBLIGATIONS

Another new challenge currently in the world is the People's Republic of China (PRC) and it is led by a new union of nations – BRICS⁸. After decades of successful reforms and the PRC becoming the second largest economy in the world, the Chinese government operates with huge financial resources that are employed not only in military spending, but also in economic projects everywhere in the world. This phenomenon has already become a political issue for countries around the globe, including Georgia – where its government has already started a flirty relationship with the Chinese government, which looks

more like a domination effort from the PRC than an agreement⁹.

PRC and Russia, together with India, initiated a new agreement among them and now, already eleven nations (Argentina recently decided to stop its membership and this analysis does not include its data) that is called BRICS. Currently BRICS leaders (namely Russian and Chinese) initiated several projects, including getting rid of the U.S. dollar from their trade.

Squeezed between such challenges and choices. Georgia needs good knowledge of what these choices promise to its people in order not to get into another trap of long-run political and economic obligations.¹⁰ What Georgia can immediately find out are: voluntary membership, consensus-based decision-making, and voting power of even the smallest member in the European Union. These are the most important political rights of a nation that are completely different from the Soviet Union rules. Georgians can assume that any new treaty with Russia and/or China can be very dangerous, harmful, and costly. Therefore, it is crucial to provide a comparative analysis of the EU, EEU, and BRICS from the Georgian perspective.

BACKGROUND AND APPROACH

Georgia decided to be a member of the European Union that would be accepted by both the EU as a whole and its members. What can attract Georgians to the EU is life protected by means of civil, political and economic rights,¹¹ better quality of life, medical services, or education. As

⁸ An intergovernmental organization consisting of Brazil, Russia, India, China, South Africa, and – since 2023 – Egypt, Ethiopia, Iran, and the United Arab Emirates.

⁹ https://eurasianet.org/strategic-partnership-betweengeorgia-and-china-puzzles-critics

¹⁰ https://gfsis.org.ge/files/library/opinion-papers/22expert-opinion-eng.pdf

¹¹ <u>https://www.echr.coe.int/documents/d/echr/conve-ntion_ENG</u>

99 EVERY CORRUPTION PRACTICE MAKES **BUSINESS DEPEN-**DENT ON POLITI-CIANS AND BURFAU-CRACY – INSTEAD OF HARD WORK IN THE MARKET. PEOPLE CHOOSE HAVING ARTIFICIAL PRIVILEGES AND FA-VORITISM, WHICH CANNOT BE A DRIVF OF A FLOURISH-ING ECONOMY THROUGH IM-PROVED PRODUC-TIVITY AND FFI-CIENCY

a consequence, this analysis is based on several surveys of independent institutions studying certain aspects of life and business of the world nations. The results show unchallenged leadership and the best results of the EU overwhelmingly championing the rivals from the EEU and the BRICS. Joining the European Union thus serves as a promise of a better quality of life and better opportunities for business, high development, and overall happiness.

As the evidence below shows, Europeans live longer, are wealthier and happier. Any partner of the EU will have a chance of using the given opportunities of huge market, high-purchasing power of its customers, best business environment, and protected rights. Therefore, the article offers a comparative analysis of the European Union (27 member nations), the Eurasian Economic Union (five members), BRICS (10 members), and Georgia. Its goal is to show the existing differences and prove advantages of joining the EU by Georgia. The analysis contains data from nine sources of independent and experienced experts from widely recognized organizations.

Georgian people have to decide what kind of country they want to live in – a free one, with protected rights, developed, and prosperous or whether to be oppressed and poor. The *Democracy Index*, *Freedom in the World*, *Press Freedom*, *Freedom and Prosperity* studies evaluate these conditions in the world. The *Corruption Perception Index* and the *World Bank Governance Indicators* study the government performance and legislative solutions, accountability of the power institutions, and leaders.

While Georgian businesses need to decide where to have partners, customers, or suppliers from, they still need to try – it is, after all, business – as nothing is guaranteed. There can be numerous advantages and disadvantages to either choice. Nobody can give a company absolutely precise advice on where to sell and buy goods. Business entrepreneurship is about 'try, win, or lose'. Yet, there can be several ways to find

Nation Groups	Overall score	Functioning of government	Civil liberties
EU	7.90	7.37	8.55
EEU	3.28	2.53	3.41
BRICS	3.86	4.29	3.18
Georgia	5.20	3.57	5.59

Table 1: Average scores of the EU, EEU, BRICS, and Georgia

Source: Democracy Index 2023, Economist Intelligence Unit¹²

out where it is easier to make business, or to put it another way – where there are less barriers for business.

There are four studies about economic freedoms and business opportunities - two about economic freedoms (by the Fraser Institute and the Heritage Foundation) and third, also very valuable - global competitiveness (by the World Economic Forum). There was another study by the World Bank - of Ease of Doing Business, but it was suspended some years ago. So, let us start with the Fraser Institute Economic Freedom of the World Study (EFW). The new Freedom and Prosperity indexes also bring new perspectives on the ways to achieve a prosperous life. Finally, additional data to show the economic advantage of the EU are presented - including its capacities and the most important result: life expectancy.

DEMOCRACY INDEX BY THE ECONOMIST INTELLIGENCE UNIT (2022)

The Democracy Index (DI)¹³ was launched in 2006 and is based on sixty indicators grouped in five categories: Electoral Process and Pluralism, Functioning of Government, Political Participation, Political Culture, and Civil Liberties. The 2023 Index recognizes four categories of nations: Full democracies (24 nations, scores 8-10 out of 10), Flawed Democracies (50 nations, scores

DESPITE THE HUGE SCALE OF THE MARKET FROM THE PERSPEC-TIVE OF THE NUM-BER OF POPULA-TION, BRICS IS FAR FROM THE HIGH PURCHASING POW-ER OF ITS POPULA-TION ON AVERAGE

¹² https://www.eiu.com/n/campaigns/democracy-index-2023-download-confirmation

¹³ https://www.eiu.com/n/campaigns/democracy-index _2023-download-confirmation

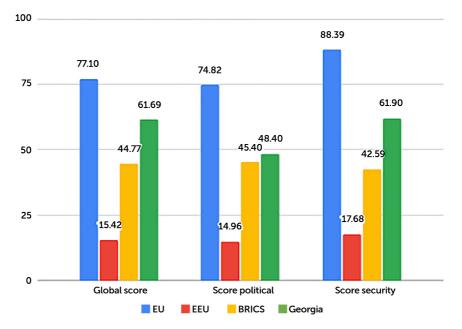
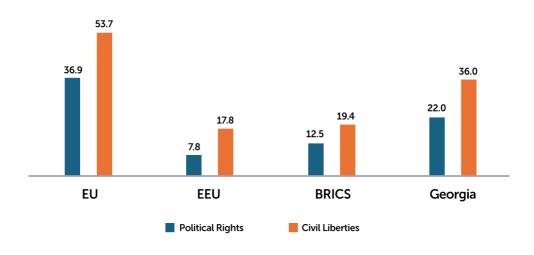


Figure 1: Global, Political and Security average scores of the EU, EEU, BRICS, and Georgia

Source: World Press Freedom (2023)

Figure 2: Average Scores of Political Rights and Civil Liberties in EU, EEU, BRICS, and Georgia



6-8), Hybrid Democracies (34 nations, scores 4-6), and Authoritarian Regimes (59 nations, scores 0-4).

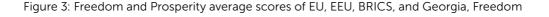
The study indicates that there are: 11 full democracies and 16 flawed democracies in the EU, 1 hybrid democracy and 4 authoritarian regimes in the EEU, and 3 flawed democracy and 7 authoritarian regimes in BRICS.

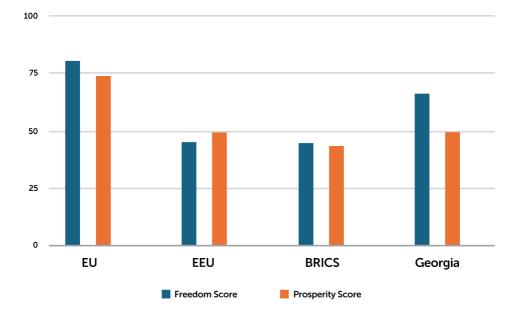
The DI is a very good tool for individuals to compare the living environment in these country groups [See: Table 1], who look for better protection from political abuse, from which nations one can study good governance and the creation of the best living conditions. The table above clearly indicates that the EU is the best.

WORLD PRESS FREEDOM INDEX BY REPORTERS WITHOUT BORDERS (2023)

Assessment of press freedom by the Reporters without Borders was started in 2002. It includes measures of political, economic, legislative, socio-cultural and security of the media components. In this index, eight out of ten best press freedom nations are from the EU. Only Armenia (from the EEU group of nations) and South Africa (from the BRICS) are slightly higher than some EU nations [See: Figure 1].

The World Press Freedom Index is a source of very valuable information that allows one to find out where an individual is better protected, their voice is heard, and how





Source: Atlantic Council (2023) Freedom and Prosperity Indexes

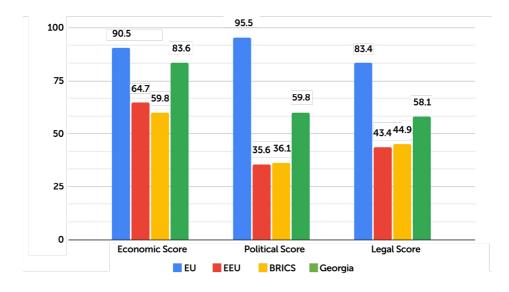


Figure 4: Economic, Political and Legal scores, EU, EEU, BRICS, and Georgia (0-100)

Source: Atlantic Council (2023) Freedom and Prosperity Indexes

freely they can get necessary information or hear the opinion of other people.

FREEDOM IN THE WORLD BY THE FREEDOM HOUSE

Freedom In the World survey¹⁴ is the annual survey that was launched in 1973 and measures political and civil freedoms among the nations and territories. There are three categories of freedom according to this index, there are¹⁵: 26 Free and 1 Partly Free nations in the EU, 1 Partly Free and 4 Not Free nations in the EU, and 2 Free, 1 Partly Free and 7 Not Free in the BRICS. Georgia is considered Partly Free.

Freedom House also measures Political Rights and Civil Liberties in the world. The survey shows the opportunities of individuals in those nations to maintain effective control over the decision-making in their countries and protection of their lives and activities. On the basis of the available data, it becomes obvious that the EU is far better and EEU and BRICS need numerous efforts to reach that level [See: Figure 2]. It also reveals that politicization of the economy and abuse of power is at the highest levels and that the people are oppressed.

FREEDOM AND PROSPERITY INDEXES BY THE ATLANTIC COUNCIL

The Atlantic Council, a political think-tank in Washington DC, has very recently launched the new study of Freedom and Prosperity in the World¹⁶ and there are two editions of the indexes yet. The indexes evaluate nations in freedom and prosperity terms and has four categories in each from free to unfree, and prosperous to unprosperous.

¹⁴ <u>https://freedomhouse.org/countries/freedom-world/</u> scores

¹⁵ https://freedomhouse.org/sites/default/files/2023-02/Country_and_Territory_Ratings_and_Statuses_ FIW_1973-2023%20.xlsx

¹⁶ https://www.atlanticcouncil.org/content-series/thebig-story/the-freedom-and-prosperity-indexes-hownations-create-prosperity-that-lasts/

Country Groups	Scores
EU	63.6
EEU	35.0
BRICS	40.0
Georgia	53.0

Table 3: Average Scores of CPI in EU, EEU, BRICS nations, and Georgia¹⁷

According to the current positions by Freedom and Prosperity Indexes 2023¹⁸, there are: 24 free, 3 mostly free; 13 prosperous, and 14 mostly prosperous nations in the EU; 1 mostly free, 4 mostly unfree, 2 mostly prosperous, and 3 mostly unprosperous nations in the EEU; 4 mostly free, 6 mostly unfree, 2 mostly prosperous, and 8 mostly unprosperous nations in BRICS. Georgia is regarded as a mostly free and mostly prosperous nation [See: Figure 3]. Moreover, the FP Indexes consist of subcomponents that are also interesting to be observed [See: Figure 4].

Like Economic Freedom studies, Freedom and Prosperity indexes are good indicators to evaluate where the best conditions are for life and activity, where an individual feels freer and faces no barriers for prosperity.

CORRUPTION PERCEPTIONS INDEX BY TRANSPARENCY INTERNATIONAL (2023)

Transparency International, one of the leading international non-governmental organizations with more than 100 branches

over the world, measures corruption perceptions in the public sector in 180 countries. The last Corruption Perceptions Index (CPI)¹⁹ was published in January 2024 and measures the 2023 scores and rankings of the countries. This index provides particularly strong evidence of the EU's big advantage over the EEU and BRICS [See: Table 3]. Interestingly, Georgia ranked 133rd in 2004, but the successful reforms after that improved the score and the ranking of Georgia – in 2017, it ranked as the 41st. The reforms included high transparency of public procurement and assets belonging to the public servants.

TI CP Index gives a good understanding of potential costs of making transactions, doing business, and living in these countries. Every corruption practice makes business dependent on politicians and bureaucracy – instead of hard work in the market, people choose having artificial privileges and favoritism, which cannot be a drive of a flourishing economy through improved productivity and efficiency. It is difficult to find markets, customers, and partners with corruption practices and methods. Investors always look for a rule

¹⁷ <u>https://www.transparency.org/en/cpi/2023/index/swe</u>

¹⁸ <u>https://www.atlanticcouncil.org/in-depth-research-reports/report/prosperity-that-lasts-the-2023-free-dom-and-prosperity-indexes/</u>

¹⁹ <u>https://www.transparency.org/en/cpi/2023/index/swe</u>

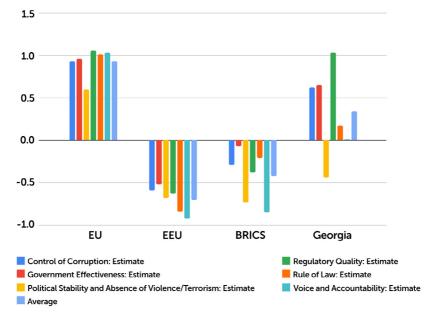
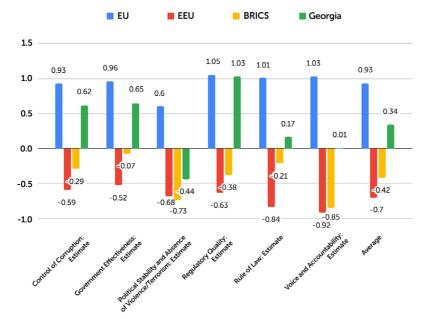


Figure 5: EU, EEU, BRICS, and Georgia, Average Scores by Country Groups

Source: World Bank (2023) World Governance Indicators





Source: World Bank (2023) World Governance Indicators

based, transparent environment with clear and low costs. The CP Index indicates that the European Union is a much better and lower-cost environment from the point of view of businesses and investors.

WORLDWIDE GOVERNANCE INDICATORS BY THE WORLD BANK

The World Bank measures governance quality of more than 200 nations in the world²⁰. This study contains the following components: Voice and Accountability, Political Stability and Absence of Violence/ Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. Every component is evaluated in the range from +2.5 to -2.5. It is, therefore, useful to examine the governance quality of the EU, EEU and BRICS nations on average [See: Figure 5 and 6]²¹.

ECONOMIC FREEDOM OF THE WORLD STUDY BY THE FRASER INSTITUTE

The Economic Freedom of the World (EFW)²² calculates the scores of 165 nations, U.S. states, and Canadian provinces. The last issue was published in September 2023, but it evaluates the EFW of 2021. Permanent leaders of the study have been Singapore, Switzerland, and New Zealand. Georgia holds the 25th place with a score of 7.71 out of 10, which is better than scores of all BRICS or EEU, and higher than 15 members of the EU.

The European Union is performing much better than the EEU and the BRICS in four components of the study except for the Government Size (the 1^{st} component) – European nations spend much more on the

THERE ARE DIFFER-ENCES IN WEALTH BETWEEN EU NATIONS, BUT THE POOR-EST NATIONALS IN THE EUROPEAN UNION ARE STILL WEALTHIER THAN ANY IN THE BRICS AND EEU

welfare programs. What is most important for a business to know is how easy it is to defend its investments and properties (the 2nd component), how good are the foreign trade regimes (the 4th) or business regulations (the 5th). The Monetary Freedom component is also very useful, but it is closely monitored by the IMF and very few nations in these groups have any radical issues.

The EEU and BRICS foreign trade rules are much worse (with average scores 6.92 and 5.87, respectively) than of the EU (8.32). This means numerous barriers and

bureaucracy, but also highly probablecorruption practices. The average score of the Legal System and Property Rights for the EU is more than 2 points higher than

²⁰ https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access

²¹ https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access

²² https://www.fraserinstitute.org/studies/economicfreedom-of-the-world-2023-annual-report

²³ https://www.heritage.org/index/excel/2023/index-2023_data.xlsx

Union	Size of Gov- ernment	Legal System and Property Rights	Sound Money	Freedom to trade interna- tionally	Regula- tion	Overall Score
EU	5.72	7.38	9.15	8.36	7.42	7.61
EEU	6.99	5.04	8.83	6.92	6.31	6.82
BRICS	6.00	5.07	8.07	5.87	5.81	6.16
Georgia	7.40	6.33	8.74	8.67	7.490	7.71

Table 4: Comparison of scores of the EFW components and overall rates

Table 5: Overall Average Scores of the EU, EEU, BRICS, and Georgia

Country Groups	Scores
EU	63.6
EEU	35.0
BRICS	40.0
Georgia	53.0

Source: Index of Economic Freedom, Heritage Foundation, 2023

those of the other unions. The European Union is also much more advanced than the EEU (by 1.46 points) and even more advanced than BRICS (by 2.5). Quite surprisingly, as many people regard the EU as very economically regulated, the scores of the EEU and the BRICS are much lower (by 1.11 and 1.61 respectively). Such evaluations can help the Georgian businesses calculate possible costs of overcoming the barriers. The EFW study can also show how much it will cost to have business disputes in a certain system of judiciary. The following table illustrates the differences of the scores between the three unions [See: Table 4]²⁴.

INDEX OF ECONOMIC FREEDOM BY THE HERITAGE FOUNDATION (2023 EDITION)

American conservative think-tank Heritage Foundation has been measuring economic freedom among the world countries since 1995²⁵. The study is quite similar to that by the Fraser Institute and, in most of the cases, provides similar results for the same nations. It uses twelve indicators and measures each freedom and overall scores from 0 to 100%. The groups of the nation's my study touches have different results for different indicators, but the EU nations have much higher overall scores on average, despite the higher burden of taxation and

²⁴ https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2023-annual-report

²⁵ <u>https://www.heritage.org/index</u>

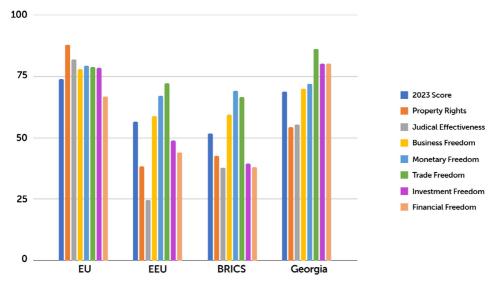
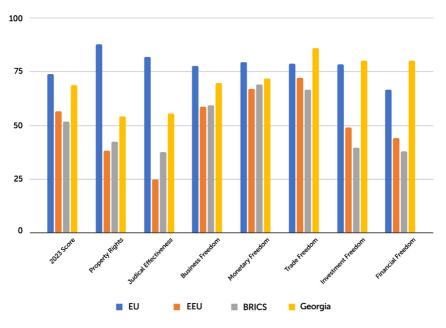


Figure 7: Overall and Selected Component Scores, 0-100%, by Country Groups

Source: Heritage Foundation (2023) Index of Economic Freedom

Figure 8: Overall and Selected Component Scores, 0-100%, by EFI components but they fail mostly (Georgia is only slightly better) in Property Rights and Judicial Effectiveness. It is increasing risks of business (or any) activities, rising costs and decreasing efficiency



Source: Heritage Foundation (2023) Index of Economic Freedom

Table 6: Number of Population, EU, EEU, BRICS, and Georgia, GDP Current USD and GDP Per Capita Current USD Source: World Bank (2022)²⁶

Nation Groups	Population	GDP Current USD	GDP per capita
EU	7.447,370,510	USD 16,746,223,630,459	USD 37,432.56
EEU	182,842,345	USD 2,569,769,655,180	USD 14,054.57
BRICS	3,617,563,035	USD 28,578,266,246,709	USD 7,899.87
Georgia	3,712,502	USD 24,780,791,064	USD 6,674.96

government spending, than the EEU and BRICS [See: Table 1].

The data indicates [See: Figures 7 and 8] the strong advantages of the European Union and Georgia over the EEU and the BRICS nations on average terms. The selected components belong to the Rule of Law Group and have very important meaning when looking for the best places to make business or invest in projects, for the people to live in freedom and prosperity.

The EEU nations have on average relatively high scores in Trade Freedom and BRICS – Monetary Freedom. However, the Rule of Law evaluation is the most fundamental to observe and helps predict what can happen today and in future in the areas of economy and life.

CREDIT RATINGS

There are several credit rating agencies²⁷, among which the Fitch, Moody's, Standard, and Poor are the oldest and the most famous ones. From the very beginning,

they intended to measure credibility of private companies, but later, these agencies (private companies) started also rating the sovereign nations, their fiscal sustainability, and integrity. The rating scores vary between A and C. According to the credit scores²⁸, 18 nations of the EU are A class, and the other 9 – B; 2 nations from the EEU group are B rated and other 3 are not rated (very low scores); 3 nations of the BRICS are A rated, 4 – B, 3 – not rated; Georgia has average B class rates.

Credit Ratings are a very important source of measuring a nation's abilities to pay for its liabilities, stability of public finances and economic policy. The nations with a low rating cannot easily borrow in the financial markets, what influences local markets, investments drain, production decreases and prices, including of the financial resources increase,. Economy, therefore, is slowing down. Credit ratings of a nation also influence the credibility of the entire economy, including local governments and private business. A nation with lower scores is regarded as a 'risky market' and

²⁶ <u>https://data.worldbank.org/</u>

²⁷ Credit Rating - Countries - List

²⁸ <u>https://tradingeconomics.com/country-list/rating</u>

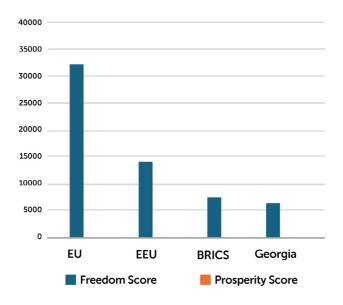
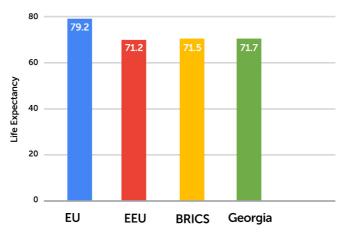


Figure 9: GDP Per Capita EU, EEU, BRICS, and Georgia, Current USD

Source: World Bank (2022)

Figure 10: Life expectancy at birth, average data for EU, EEU, BRICS nations, and Georgia



Source: World Bank (2021)

the interest rates (the cost of borrowing) are, therefore, higher.

THE MARKET SIZE: GDP AND GDP PER CAPITA, LIFE EXPECTANCY AT BIRTH BY THE WORLD BANK

GDP in current U.S. dollars indicates the current economic power of a nation and GDP per capita – average economic performance per capita. The World Bank collects the data from the national statistical offices including both – the number of population and GDP [See: Table 6 and Figure 9].

Despite the huge scale of the market from the perspective of the number of population, BRICS is far from the high purchasing power of its population on average. The same is true for the EEU, where the dominant role is taken by the Russian Federation, which is based mostly on the export of mineral resources. Other nations in the EEU are far behind - in some cases, ten times poorer on average than Russia. The same situation is in BRICS - the major input in the GDP of this nation group has the PRC's economy, that is, like in the Russian case, the wealth concentrated in major cities and other populations are several times poorer. For comparison, there are differences in wealth between EU nations, but the poorest nationals in the European Union are still wealthier than any in the BRICS and EEU (on average).

An important indicator to find appropriate markets is the real purchasing power of the population in a partner country. The World Bank data shows that the EU customers with their high purchasing abilities are the most desirable market from this point of view, among these groups of nations.

Another good illustration where the life of an individual is easier, happier, and longer is the World Bank indicator of the Life Expectancy at Birth in the world nations. The available data provides information and understanding of the quality of life (including medical treatment) of an individual [See: Figure 10]. The highest average life expectancy in the European Union is eight years higher than in other nation groups and Georgia.

CONCLUSIONS

The comparative analysis very clearly shows the advantages of the European Union over other unions and gives Georgians very good arguments supporting their choice. Individuals are better protected and have the best opportunities, live better and longer lives in the EU. In the EEU and BRICS, people are not only poorer, but also oppressed – many live a short and brutal life.

Georgia has attempted changing its lifestyle – the country went through certain needed reforms and achieved some significant results. However, it still needs more efforts to improve the protection of individual rights and property, as well as in terms of respecting individuals in the similar ways as in the European Union. Regardless, the EEU and BRICS are not good choices for Georgians.



The founder and Vice-President of the New Economic School in Tbilisi, Georgia