



**INTERNATIONAL BLACK SEA UNIVERSITY  
FACULTY OF SOCIAL SCIENCES  
PROGRAM: INTERNATIONAL RELATIONS**

**The Role of the International Institutions (WB, IMF, WTO) in the Formation of a  
Political and Economic Order in Emerging Democracies (*Case of Georgia*)**

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## **INTRODUCTION**

In the modern times, many scientists and researchers have pointed out regarding the role of international organizations in addressing political and economic challenges of the twenty first century. International organizations have been viewed to be responsible to promote and actively participate in the establishment of international peace and stability, from the economic, social or political point of view, and that they should be acting in the interest of the international community. According to critics of these institutions, there should be a greater transparency, regulation and control within these organizations so that they reflect more than just the interest of the powerful States.

The foundation of an international forum for multilateral negotiations process started with the Inter-Parliamentary Union (IPU) in 1889, which is still active today and has 157 members - National Parliaments. The IPU was the predecessor to the League of Nations, which was established in 1919 after the end of the First World War. As the result of the failure of the League, its functions related to the providing peace and security and socio-economic development were taken by the United Nations (UN). Due to the widening of the functions of International Organizations, main part of the research paper will be dedicated to investigate the role of such international institutions as UN specialized Agencies -IMF and WB Group, also WTO, as the UN partner organization in the formation the modern World political and economic order. Furthermore, the political and economic role of Georgia in the global system will be analyzed.

### **Problem Statement**

The role of international organizations in the economic and political development of emerging economies is critical due to its importance for macroeconomic stability, economic and democratic development of these countries. At the same time, international organizations contribute to the integration process of the countries with the rest of the World and process of globalization. Despite significant role of the international governmental and non-governmental institutions in the development of an integration process among of the states and different regions of the World, it is evident that the impact of these organizations on the countries' development as well as lessons learned were not studied thoroughly. This is in particular true with regard to Georgia. In addition, there is lack of researches, related to the preparation of materials about the influence of the international organizations on the socio-economic and political processes at the global level. We can

say that there is lack of appropriate literature related to study of the functioning of the International Governmental and Non-Governmental Organizations at the Global and Regional levels.

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## **Research Tasks**

The research developed the following research tasks:

- **First task - global governance.** What are the main reasons for the formation of the International Financial and Trade Institutions, their transfer into the actors of the global governance and evolution of their functions;
- **Second task - “Effectiveness-legitimacy” dilemma.** What are the major challenges before the IMF and WB in addressing “effectiveness-legitimacy” dilemma?
- **Third task - political and economic influence.** What are the main aspects of the institutional design of IMF and WB, the mechanisms of the adoption the political decisions by those institutions;
- **Fourth task - borrower countries’ opposition.** What is the reaction on the activities of the IMF and WB in the developing states?
- **Fifth task –anti-crisis regulation.** How to evaluate the role of IMF and WB in the regulation of the finance crisis as an Institutions of the global management?
- **Sixth task – global governance reformation.** What are the problems of the reforming the International Financial Institutions as a participants of the global governance and the roles of the new actors on this space?
- **Seventh task – building investor friendly environment.** Which issues represent the main principles of International Trade and role of the International Organization – WTO in the establishment of the new trade regime in the World?
- **Eighth task – Georgia’s integration into the global process.** How Georgia’s membership in the WB and IMF supports Georgia’s integration into the global political and economic processes?
- **Ninth task - key impact factors.** What are the main impacts of the relationship between Georgia and the IMF and WB?
- **Tenth task – FTA network development.** Did the relations between Georgia with WTO, have an impact on foreign trade relations of Georgia?

## **Hypothesis**

The IMF, WB and WTO have gained their influence on global political and economic processes including Georgia's economic, social-political development and its engagement into the global politics and international order dynamics. Also, through collaboration with these institutions Georgia had chance to promote its national interests. Economic and political reforms executed with the support of these institutions significantly contributed to pursuing national interests and geopolitical missions and goals according to global political environment. The success of collaboration with such international institutions such as the IMF, WB and WTO depends on concrete national interests and specifics of the political and socio-economic environment of the country.

## **Novelty and Actuality**

The research, while identifying major aspects of the role of the IMF, WB and WTO in the political and social-economic processes of developing countries, outlines key benefits and challenges emerging economies experience focusing on the case of Georgia and intends to testify how these relationships contribute to the pursuing national interests and geopolitical missions of the country.

## **Practical and Theoretical Value**

The issues of the functioning of WTO, WB Group and IMF were discussed within the theoretical framework are viewed from the second part of 20<sup>th</sup> and beginning of the 21<sup>st</sup> century in the framework of World Politics and International Economic Relations issues and evaluations are made from the XX-XXI century theories of World political and economic order.

As for the practical value, it is important to actualize the discourse on the functioning of international economic and financial institutions in Georgian and foreign academic and public spheres, particularly, extensively used by the international relations and economics students throughout Georgia.

Furthermore, the research underlines the role of IMF, WB, and WTO in Georgia's involvement in the global economic, trade and financial order and their role in the implementation of different reforms in Georgia. The problem has been viewed from the perspective of Georgia, which restored its political independence since 1991 and during the transition period especially needed and continues to require strengthening cooperation with the leading international institutions.

## **Research Methodology**

Due to the nature of the research it is more appropriate to use both a qualitative and quantitative research methodologies. It is important to mention, that quantitative data such as statistics is implied in the thesis. It is a political and economic research (focused on historical dynamics of the functions the International Institutions) and it can be considered as a descriptive research as well, with a strong focus on identifying the different stages of the international institutions (WTO, IMF, WB) functioning, adoption of historical decisions and their results. Furthermore, the research approach will involve thorough review and analysis of scholarly peer-reviewed literature related to the different approaches of the world political and economic order, global governance, functions of the above-mentioned institutes, their impact on the economy of Georgia.

Primary sources including statistical data and interviews as well as secondary ones - Georgian and foreign literature were used when writing this doctoral dissertation.

### **Limitations of the Dissertation**

The aim was to study and describe the role of international financial and economic institutions in the framework of World Politics and World Economy, importance for Georgia to cooperate with those institutions after gaining its national independence. Dissertation did not aim to provide the study on the deep analysis of the decision – making process and structures of the IMF, WB and WTO.

### **Sources of the Dissertation**

Theoretical basis of the research is built on the following sources: books, scientific articles, media sources, monographers, IMF, WB Group and WTO and government of Georgia reports. Primary sources are mainly obtained from: IMF, WB Group and WTO, also Georgian government decisions, archives (decisions by International institutes and Georgia which have been retrieved from free internet web-sites), correspondence. During the research, there were used international as well as scientific works of Georgian scholars, which depict the problem of WTO, IMF and WB functioning from Georgian and the outsider's perspective.

### **Structure of the Dissertation**

The dissertation includes the following parts: Introduction, 4 chapters, conclusion and references.

## **BRIEF CONTENT OF THE DISSERTATION**

### **CHAPTER 1. LITERATURE REVIEW**

The first chapter is set to outline some basic directions of the theoretical approach which will be employed to explain the main principles of the World political and economic order, particularly, Theories of international relations and international economic relations regarding the role of international organizations – particularly, neo-realist approach which proves that international institutions were, are and always will be fundamentally ineffective, due to the fact, that they cannot prevent states from being self-interested and engaged in power politics. From the other side, neo-liberal institutionalism prides itself on the Kantian version of the international system. It is considered that the UN and UN Specialized Agencies (IMF, World Bank Group), have played a decisive role in the process of decolonization, human rights, environmental protection, international law and socio-economic development. At the same time, such International Universal Organization, as WTO, has promoted an increase of the volume of international trade at the global level.

In contrast, conventional constructivism opposes to both previous (neo-realist and neo-liberal concepts) concepts. It points out, that institutions and agencies, in the framework of international system, are mutually constructed concepts by actors that employ social practice to define the ‘international realm.’

International organizations and the concept of global management - At the present stage of development of the world political processes (with the participation of the International financial institutions as one of the key characteristics of the phenomenon) remains globalization, manifested in a substantial increase in the interdependence of countries and closely interwoven processes taking place in different regions of the world. It can be observed that among other things, the fact, that the local and regional political crises and conflicts are increasingly becoming events of global importance. International community is facing a number of other challenges of global nature, such as global migration, a sharp gap in levels of income between different social groups and between different countries, and increasing global economic imbalance (including a growing number of developing countries lagging behind developed ones), the whole complex of unresolved social (poverty, disease), environmental and other issues. Thus, on one hand, debate and research in the field of global governance promotes awareness of the severity of these problems, the need to resolve

them at the global level, as well as the fact that these problems represent a serious challenge to existing institutions (Keohane, 2001. Pp.1-13).

"Good governance" and the problem of the legitimacy of international institutions - The emergence of the concept of "good governance" in the late 1980s - early 1990s was directly related to the structural economic and political reforms conducted in several countries, including with the participation of the Bretton Woods institutions. It is also one of the first concepts, which was formulated by the World Bank in 1981 in the report "Accelerated development in the countries of the southern of Sahara." The formation of concepts is associated with the neo-liberal tradition, which was continued in the UN Development Programme documents published in 1997, where the "good governance" is defined as an achievement of the objectives within the given timeframe, with minimal costs for the resources, the principles of democracy and efficiency.

Theories about World Political Order - World order — nature (state) or direction of the external activity, which ensures the stability of those purposes of the community of the states, which are for it, from one side, elementarily necessary, with another — vitally important, with the third — general for all.

The term was introduced by Hedley Bull into the scientific circulation of the political scientists in 1977, however, by itself the universal order was formed much earlier.

International economic order - International economic order can be explained as a separate, independently acting system, with its own rules and laws, but it is so closely interconnected with the international political system, so it is very difficult to divide those two notions from each other.

Subsystems of the International Economic Order - By the development of the processes, which are going on in the international economic system, during the analysis of the conflicts and cooperation, and during the discussion about main reasons and results, American economist J. E. Spero presented the discussion about three sub-systems, particularly western – inter-dependent, North-South and East-West. Those systems are not isolated from each other, but at the same time, political and economic processes in the each system are specific.

The perspectives of the development of International Economic system - During the discussion about further development of the International economic system, specialists mean liberalism, dependence and economic nationalism (mercantilism).



Main theories in the field of International Trade - With regard to the theories in the field of International trade, there are two principal differences. First gives the advantage to free trade and second to the protectionist policy, when the state, from the national interests' position, plays active role in the regulation of international trade. The first theory of International trade is considered mercantilism, which at the first stage was developed in England, because this country first introduced the principles of market economy. Representatives of the early mercantilism was functioning in the XV-XVI Centuries. Its main principle was "money balance". They considered, that the wealth of the state was determined by possessing the gold and silver by the state, for which it was important to increase the export and decrease the import by the prohibition of the export the metals abroad. Late-developed was established in XVI Century and was continuing till the end of the XVIII Century. The main issue of this direction was "active trade balance". According to them, as more is the positive trade balance, the richer country is.

Absolute advantage theory was presented by the Scottish economist Adam Smith. In his research "wealth of Nations", he criticized the mercantilist theory and mentioned about the ability of each country to produce concrete goods with the less expenses due to the different reasons. Comparative advantage theory was developed by English scientist - David Ricardo. He was proving that independently from the trade it was possible to gain the comparative advantage, if the country would be specialized in the production of such goods, production of which it can with the less expenses.

## **CHAPTER 2. INTERNATIONAL FINANCIAL INSTITUTIONS – IMF AND WB IN THE FIELD OF WORLD POLITICS**

In the Monetary and Financial Conference of the United Nations, which was held in 1944 in Bretton-Woods, in which were participated the representatives from 44 countries the basic principles of a third world monetary system were agreed and an agreement on the establishment of the international financial institutions was adopted.

The institutional structure was formed: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). However, as will be shown later, the IMF and the IBRD since the beginning performed not only economic, but also political functions.

Mechanisms of political decision-making in international financial institutions - It is possible to establish three main approaches to the analysis of processes of decision-making in the international financial institutions.

Firstly, functional approach, in which we study directly the institutional design and the formal practice of the relevant institutions. According to this approach, the international financial institutions make decisions about the parameters of the project in different countries, based solely on an analysis of standard economic indicators and guided only by the formal regulations, which govern their activities. Secondly, political approach, according to which – many anti-western-oriented experts discuss about political component, which defines the work of the International Monetary Fund and the World Bank, so, political benefit from the implementation of the program for a variety of actors in world politics, among which the main role is played by the USA and American Transnational Companies. Thirdly, equilibrium regulation approach, according to which the IMF and the World Bank are institutions, in which decision-making process is based on a complex of formal and informal components, as a purely economic and political motivations involved in this process of actors. Through the prism of the appropriate approach we will consider the most important decision-making practices of the IMF and the World Bank.

The highest governing body of the IMF is the Board of Managers. Their meetings are held twice a year at a joint conference of the IMF and the World Bank. Each member country has a representative in the Board (usually the minister of finances or the head of Central Bank). The Board of Managers delegates the current management of the Executive Board, in which 24 Executive Directors and Managing Director work, which is appointed by the Executive Board and is its chairman. According to an informal tradition, Managing Director is elected for five years from among the representatives of the European Member States while his deputy is elected by the US government. The latter fact points to a special, privileged role of the USA in the IMF. Meetings of the Executive Board are usually held three times a week at the headquarters of the IMF in Washington. Representatives of the USA, Japan, Russia, China, Germany, France, Great Britain and Saudi Arabia have permanent seats in the Executive Board. The rest 16 Executive Directors are elected by the groups of countries for two years. The USA has 16.74% of the votes in the Board, Japan - 6.23%, Germany - 5.81%, France and Great Britain - 4.29% of the votes each (IMF, 2017).

The structure of the World Bank in whole is similar to the structure of the IMF.

**Evolution of functions of the IMF and the World Bank in the world system** - The objectives of the International Monetary Fund according to its statute includes the following obligations:

to support development of international cooperation in the monetary sphere;

to promote monetary stability, to maintain regulated exchange rate regime in the Member States and to avoid the use of monetary devaluation in order to obtain a competitive advantage;

to assist in the development of a multilateral system of payments between Member States as well as in the cancellation of foreign exchange restrictions which prevent growth of world trade;

According to the Charter the World Bank Group, the purposes are the following:

- to support in the reconstruction and development of territories of Member States;
- to support in attracting of foreign investment;
- to promote long-term balanced development of international trade, to support in improving of productivity, living standards and working conditions in the territory of the Member States;
- to organize loans in order to ensure the priority of realization of the most useful and urgent projects;
- to carry out operations with regard to the effect of international investment on business conditions in the territories of the Member States as well to assist in the early postwar years in a smooth movement from a war economy to a peace economy.

In general, the Bretton-Woods system has become a fundamentally new stage in the development mode of international political and financial regulation.

### **CHAPTER 3. ROLE OF WTO IN THE PROMOTION OF THE INTERNATIONAL TRADE AND FORMATION OF THE NEW ECONOMIC AND POLITICAL ENVIRONMENT IN THE WORLD**

The idea of the foundation of the international organization, for the regulation of international trade, arose up to the end of the Second World War. The International conference on trade and employment in Havana was held in 1946, which had to establish the material-legal framework for the international agreement about reduction of the tariffs, propose to the interested countries and companies the regulations of this organization, take upon itself the coordinating role in the issues of simplification in foreign trade and reduction the customs barriers on the way of goods transportation from the country to country. It was already in October of 1947 signed the GATT.

For the purpose of reduction the customs duties and the concealed, so-called non-tariff limitations to the import production from abroad within the framework of GATT regularly conducted the rounds of

talks between the participating countries. The so-called Uruguayan round of talks, which was being lasted since 1986 until 1994, were most successful. As a result of the long negotiations in Marrakesh, in 1994 was signed the agreement about the creation of the WTO, which came into force on January 1, 1995 (WTO, 2017).

International Trade and commerce promoted by WTO - As a result of the signing the GATT agreement and other economic processes, from the second-half of the XX century, when the international exchange regarding M.Pebro acquires “explosive nature”, world trade was developed by the fast rates. The WTO assumes, that during the recent decades the volume of world trade grows considerably rapidly, than the whole world production. Thus, for the years of 1950-2000, world trade grew for 20, and the production for 6 times (Avdokushin. E.F. 2006). Before the crisis of 2007-2008, on the average, world trade grew by 6%. Export of the goods and services according to the data of the WTO, was in 2007 16 trillion dollars. The share of the group of goods composes 80%, and services to 20% of the total volume of the global trade. The annual turnover of the trade in the goods and raw material by 2012 was about \$20 trillion (UNCTAD, 2013). Based on the above-mentioned positions, the functioning of WTO is based on the following principles:

- Equal rights. All members of the WTO are obligated to allow to all other members and their companies the most favored nation policy in the trade. This Principle means that the preferences, given to one of the members of the WTO is automatically extended also on all remaining members of the organization in any case.

Reciprocity. All concessions in the determining of the double-sided commercial limitations must be mutual.

- Transparency. The members of the WTO must completely publish their commercial rules and have institutes, which correspond for the assignment of information to the other members of the WTO.

- Creation of the acting obligations. Obligations at the commercial tariffs of the countries are regulated in essence by the organs of the WTO, but not by interrelations between the countries. But in the case of worsening in the conditions of trade into any to the country inthe concrete sector, the pinched side canrequire compensation in other sectors.

•Protective mechanisms. In certain cases, government has right to introduce commercial limitations. The agreement of the WTO makes possible for terms to take measures not only for the environmental protection, but also for the support of public health, animal health and plants.

#### **CHAPTER 4. ROLE OF THE WB, IMF AND WTO IN FORMATION OF POLITICAL AND ECONOMIC ORDER OF GEORGIA**

This chapter deals with components as Georgia in the new World order. Specifically, it offers analysis of the Role and place of Georgia in the modern Geopolitical system, particularly, determination of the foreign policy, national security and economic, including foreign economic priorities of Georgia after the restoration of national independence in 1991.

Membership of the World Bank and IMF - After the gaining of Independence, In 1992 Georgia became the member of the World Bank and International Monetary Fund, in 1993 - the IDA. On June 14, 2000 Georgia became the member of the World Trade Organization.

Results of the Cooperation of Georgia with IMF, World Bank Group and WTO

Negative factors: Many experts in Georgia, who have the critical attitude toward the activities of IMF and World Bank Group, mention, that as a result of cooperation with those Institutions, Georgia has the foreign debt, the biggest part of which is coming on the share of International Finance Institutions.

Foreign Debt of Georgia - Even during the modern period, the economy of Georgia is strongly depended on the foreign financial aid, including foreign credits, investments and money transfer from abroad. Within the period 1994 to 2006, IMF offered for Georgia the credits, with the whole volume \$500 million In October 2008, western countries declared about releasing for Georgia 4,5 Billion USD as a credit with the low interest rate and grants within the period 2008-2010.

Foreign debt of Georgia for October 31, 2011 was 4 252 236 thousand Dollars (31% of GDP), which by the calculation on per capita was 917 dollars. As to the December 31, 2015, the whole foreign debt of Georgia was 15 Billion USD. In this volume are included the state debt (governmental agencies, state enterprises and national bank), also private sector – banks, companies etc. The research was implemented by the methodology, which was approved by the International Monetary Fund. According to National Bank, the state foreign debt was 6 Billion USD, which is 43% of the GDP. From this sum, 4,4 Billion is coming on the state agencies (31,5%).

With regard to the foreign debt, 40% is coming on the credits of the World Bank, on Euro Bonds – 21%, International Monetary Fund – 10%, Germany – 8%, EU – 4%, USA – 2%, Turkey – 2%, Japan – 2%, EBRD – 1%, IFAD – 0,5%, others – 9,5% (World Bank and Georgia, 2015).

Positive consequences of the cooperation with IMF, WB and WTO

Many supporters of western financial institutions discuss, that transition of Georgia from the Centrally planned economy to a market economy was very much depended on the cooperation and getting consultations from IMF, WB and WTO. In this regard should be mentioned the following:

General overview of Georgian economy-The economy of Georgia is oriented on the principles of market economy.

Since, 2003, Georgia continued its economic progress since, "moving from a near-failed state in 2003 to a relatively well-functioning market economy in 2014" (US State Department, 2016). In 2007, according to the World Bank indexes, Georgia was the World's number one economic reformer (World Bank, 2016), and has consistently ranked the country at the top of its ease of doing business index.

According to many experts, economy of the country is provided by more or less free and transparent conditions inside the country. For example, based on the Transparency International's 2015 report, Georgia is the least corrupt nation in the wide Black Sea Area, outperforming all of its immediate neighbors, and even several members of the European Union (Transparency International, 2015).

After the signing the Associate agreement with EU, Since 2014, Georgia is part of the European Union's Free Trade Area, with the EU continuing to be the country's largest trading partner during the last several years period (EU Commission, 2016) Following the EU trade pact, 2015 was marked by further increase in bilateral trade, at the same time, volume of the trade with the Commonwealth of Independent States (CIS) gradually decreased (Civil Georgia, 2016).

Institutional reforms - Within the first decade of the XXI Century, Georgia activated the implementation of important reforms.

For example, fulfilled institutional reforms established an effective, professional and transparent public sector, based on the principles of free economy. Because of the economic deregulation policy,

several of state regulated structures significantly decreased. At the same time, the regulation procedures have been simplified.

Georgia got success in fighting against corruption. This progress is recognized by different rating Institutions. Based on the dates of the Transparency International, Georgia is the top country in the post-Soviet region in terms of fighting corruption. According to the Corruption Perception Index published by Transparency International, Georgia ranked 50th in 2014 (Corruption Perceptions Index 2014) (up from 113rd in 2004) (Corruption Perceptions Index 2004). "Global Corruption Barometer 2010" ranks Georgia the leader among the different states from the different regions of the World in the term of reduction the corruption level (Global Corruption Barometer 2010).

Taxation policy - Since January, 2011 the new Tax Code entered into force. It unifies the old Tax and Customs Codes. The new Tax Code increased confidence towards the Georgian tax system and enhanced trust in the Georgian tax authorities, by improving communication between taxpayers and the tax authorities, by protecting the taxpayers' rights, by making administration more efficient, and by harmonizing the Georgian laws with the best international tax practices and EU directives.

Since 2005, the number of taxes in Georgia decreased from 22 to 6. All existed taxes have law tax rates: Income Tax (personal income tax) 20%; Profit Tax (corporate tax) – 15%; Value Added Tax – 18%; Excise - varies; Property Tax up to 1% of the self-assessed value of property; Customs Tax – 0%; 5%; 12%. In addition, significant procedural and institutional reforms were performed, simplified tax dispute settlement, streamlined tax administration decreased the time and cost of paying taxes. Georgia made paying taxes easier for firms by simplifying the reporting for value added tax and introducing electronic filling and payment of taxes (Ministry of Finance, 2016).

Number of import tariffs was abolished on approximately 90% of products and only 3 tariff rates (0%, 5%, 12%) exist instead of previous 16. Georgia sets Import Taxes on only several kinds of agricultural and manufactured goods . In addition, there are no quantitative restrictions (quotas) on imports and exports (Ministry of Finance, 2016).

Human Development Index of Georgia - Human Development Index is a composite statistic of life expectancy, education, and income indices used to rank countries into four tiers of human development. Georgia's HDI value for 2012 was 0.745—in the high human development category—positioning the country at 72 out of 187 countries and territories. Between 2005 and 2012, Georgia's HDI value increased from 0.713 to 0.745, an increase of 5 percent or average annual increase of

about 0.6 percent. The rank of Georgia's HDI for 2011 based on data available in 2012 and methods used in 2012 was– 75 out of 187 countries. In the 2011 HDR, Georgia was ranked 75 out of 187 countries.

Economic Freedom - As a result of Relations with WB and IMF, several reforms in the different field of economy have been implemented. For example: Several Liberal labor legislation simplified the relations between employers and employees. As a result of the reform, "Heritage Foundation" and other analytical centers recognized the Georgian Labor Code as one of the most liberal in the world, because it significantly reduced hiring and firing expenses.

According to the index of economic Freedom, the rate of Georgia in comparison with 2016 improved by 10 positions (23-th place in 2016), and for 21 position in comparison with 2012 (34-th place in 2012). The economic status of Georgia is: "Mostly Free", and the score of the whole index is 76, which is higher in comparison of the previous year for 3,4 and in comparison of 2012 for 7 scores.

According to the report of 2017, the index of economic freedom in comparison of 2012 has been radically improved in the following directions:

- Property protection rights
- Fiscal policy
- State expenditures
- Monetary Freedom.

Trade relations with other states - In this regard it is interesting to point out about foreign trade of Georgia in January-March, 2017, when volume of trade was 2 285 Million USD, which is higher for 18% in comparison of the previous year (Sakstat. 2017). Export was 577 Million USD, which is higher for 30%, and import 1708 Million USD (more for 15%). Negative trade balance was 1132 Million USD, which is 50% of the foreign trade of Georgia.

Within January-March 2017, the foreign-trade turnover with EU was 641 Million USD, which is higher in comparison with previous year for 26%, export 159 Million USD (More for 44%), import 481 Million USD (more for 21%). On the share of EU, was coming 28% of the foreign trade of Georgia, the same 28% was coming on the trade deficit of Georgia (Sakstat. 2017).



## CONCLUSION

Based on the conducted research, it can be pointed out, that the hypothesis have been accepted. Particularly, it was explained, that since the foundation, as a result of the implementation the various projects in the different regions of the World, the IMF, WB and WTO have managed to increase their influence on global political and economic processes including Georgia's economic, social-political development and integration of the country to the regional and global political and economic affairs. Furthermore, as a result of cooperation with these institutions, Georgia managed to promote its national interests. Economic, political and legal reforms executed with the assistance of these institutions significantly contributed to pursuing national priorities and geopolitical purposes according to global political environment. In most of the cases, the success of collaboration with International economic and financial institutions such as the IMF, WB and WTO depends on taking into consideration the national interests and specifics of the political and socio-economic environment of the country from one side, and missions of the above-mentioned institutions from another side.

As a result of the implemented research, the tasks, which were included at the introduction part of the thesis, have been resolved.

In the framework of the **first task - global governance**, which is connected with the determination the main foundations for the formation of the International Financial and Trade Institutions, their transfer into the actors of the global governance and evolution of their functions, it was analyzed the context of the given process.

It was shown, that in the middle of XX Century, the majority of the participants of the World Community agreed, that for the effective development of the World Economy it is necessary the creation of the global financial institutions, which would assist the countries in the providing the internal stability and promoting the development of the World Trade. Those Institutions – the IMF and WB were founded at the finance conference in 1944 and WTO, which was founded in 1995 on the basis of GATT, which was signed in 1947. Those institutions became the key institutions of the global finance and trade regulations. For example, the IMF and WB, in the framework of the Breton-Woods system, promoted the reconstruction of the economies of the Western Europe and assisted the developing countries. After the moving to the Jamaica finance system in 1976, the role of IMF and WB as an actors of the global governance become from one side, in the coordination the

organizational and analytical assistance of the international regulation. This function was highly evaluated and played important role in the stabilization of the World System. From the other side, this role was interrelated in the liberalization of the international economic relations and introduction more neoliberal paradigms in the economy of the developing countries through the programs of the structural reformation of their economies.

For the realization of the **second task - “Effectiveness-legitimacy” dilemma**, it was shown, that one of the central problems of the International Financial Institutions and challenges for their development is the dilemma “effectiveness-legitimacy”. There were presented possible direction of the partly resolving the problem: More effective informing by IMF and WB the society about the activities of the missions in the debtor-countries, publication of the materials and leading assemblies of the executive bodies, increasing the role of them in the organizational structure, implementation the quota reforms in IMF in 2010, more specific consideration of IMF in the different states during the working out the reform programs.

Realization of the **third task - political and economic influence**, which is connected with the study of the institutional design of the IMF and the WB, the mechanisms of the adoption the political decisions by those institutions were shown, that IMF and WB have the influence on the development of the countries - borrowers by the formal, and non-formal and also ideological mechanisms. The personnel of those institutions have its own interests, which are connected with the maximization of attractive and distributing resources and increasing the coefficient of the successes of the realized programs and effects important influence on the all stages of the functioning IMF and WB from the organization of the primary negotiations with the potential borrowers till the implementation of the officially approved program.

During the consideration of the **fourth task - borrower countries’ opposition**, which is connected with the research of the programs of the activity of IMF and WB in the developing states and determination the key socio-economic problems for the borrower countries, connected with the activities of those institutions, was shown, that the presented specific first of all includes the fact, that during the stabilization the economy of the borrowers, Bretton-woods institutions are in the conflict with the groups, on which is coming the basic part of the reforms.

During the realization of the **fifth task – anti-crisis regulation**, to analyze and evaluate the role of IMF and WB in the regulation of the finance crisis as an institution of the global management, which

are resolving the tasks of the political stabilization – were shown, in many cases those institutions managed to resolve the problems but, at the same time, in XX were before the complication of the World economic architecture, and the speeds of those changes were before the capabilities of IMF and WB for the resolving the problems. For the adaptation to the new realities, one of the tendencies, which were outside the frame of its regulation, was the increasing the activation of the private speculative capital, which had its own interests, but which contradicted to the interests of the World Economic Stability. The result of its tendency became the emerging of the regional and world crisis, fighting with them became the serious challenge for the Breton – Woods institutions. Despite the fact, that their potential has founded its implementation during the regulation of the most important crisis of XX Century, energy crisis of 1973, the crisis of the global debt 1980-1990 and World finance crisis of 1997-1998, and also first global financial crisis in the XXI Century, the existence of those crisis points out that the potential of the global regulation was not enough for those prevention (which formally is not included to the responsibilities of IMF). Nevertheless, the dynamics of the events shows, that in the framework of the acting paradigm of the regulation, mechanisms of the IMF anyway have some positive evolution, which is increasing their potential of the anti-crisis regulation.

During the working out **sixth task – IMF and WB reformation**, which is connected with the study of the problems of the reforming the international financial institutions as participants of the global governance and the roles of the new actors on this space, it was shown, that necessity of such reformation is recognized by many participants of the international community, due to the fact, that it is existed the objective need in the increasing the legitimacy of the IMF and WB by the way of more equal distribution of votes at those organizations with the taking into account the role of the developing countries. Nevertheless, one of the main obstacles in the current situation is the position of several economically developed states.

It is necessary to point out about the implementation of the following reforms for the improvement the function of the IMF and WB: 1) Significant strengthening the role of the Executive Council of these organizations; 2) Increasing transparency of procedures for the discussions of the conditions for the crediting programs and adoption of the decisions in general; 3) Conducting open elections of the Heads of IMF and WB; 4) Working out the mechanisms of the influence on the market of speculative capital and determination the anti-crisis strategy; 5) Working out the new mechanisms of the resolving the crisis of liquidity; 6) Providing the IMF and WB with the enough volume of resources for the implementation of its activity; 7) More deep consideration of specifics of the individual states

and in general, transition to more adequate modern conditions of the politico-economic paradigm of the reformation process.

In case of the foundation the new financial institutions, for example by “BRICS” states, can be served for the reformation of the system of global governance, however, it will be depended on the political balance of powers on the International arena.

The **seventh task – building investor friendly environment** was interrelated with the exploration of the main principles of International Trade and role of the International Organization – WTO in the establishment of the new trade regime in the World, promotion of the international business and international trade among the different companies, role of the transnational corporations in this field, main aspects of FDI, economic and commercial role of the companies from the Global South and importance of WTO for the commercial and trade activities.

Based on the above-mentioned positions, it should be finally determined, that the task of the WTO is proclaimed not achieving any goals or results, but establishment of the general principles of international trade.

The **eighth task – Georgia’s integration into the global process** considers the issues, related to Georgia, the role and place of the IMF, WB and WTO in the integration of Georgia into the global processes. We can conclude that the main factors affected Georgia’s global integration were:

**Internationalization (activation of ties among the states).** Since its independence Georgia has united into more than 100 international organizations and established diplomatic relationships with more than 100 countries.

**Liberalization (integrated economy and free movement of people, goods and services).** By joining the WTO, Georgia has introduced globally recognized principles of trade into its legislation and practice.

**Universalization (wide distribution of the material and spiritual values in different regions of the world).** With the support of the WB, IMF and WTO Georgia has introduced democratic values and principles.

**Westernization.** With the support of the WB, IMF and WTO “best practice” structural reforms such as fiscal reform, banking supervision, privation, etc. were implemented in Georgia.

**De-territorialization.** Due to the strategic geographical location, Georgia has been involved in strategic regional transport and energy projects often supported by the WB and other international financial institutions.

It is also important to highlight that with the support of the IMF and WB, Georgia managed to promote its national interests globally.

The **ninth task - key impact factors** was connected with the implementation research related to the determination the relations of Georgia with IMF and WB:

- Influenced not only economical but also political development of Georgia;
- Seen as actor in world politics, which promote the globalization by economic methods, unification of mechanisms of interaction among the countries in the neoliberal paradigm;
- Played significant role in transforming Georgia into market economy;
- Contributed to the establishment of a new financial and political systems;
- Supported structural reforms to maximize the likelihood that Georgia will repay the loan;
- Through management of lending conditionality contributed to the processes of globalization and strengthening of the idea of the importance of "good governance" for sustainable development;
- Faced issues on legitimacy and transparent decision making process.

The **Tenth task – FTA network development** was connected with the relations of Georgia with WTO, which provided the further liberalization of the trade relations of Georgia. Due the accession to the WTO, major WTO player-countries increased their bilateral cooperation with Georgia and new free trade agreements have been signed. Georgia has free trade regimes with the Turkey, EU, EFTA states, China and CIS countries. Free trade agreement negotiations with India are planned to be launched in the nearest future.

**The main ideas of dissertation are reflected in the following publications:**

- 1) Beruashvili, N. Chitadze, N (2017). The Role of the World Bank in the World Politics on the Example of Providing Education on the Global Level. Journal of Education in Black Sea Region. Vol 3, No 1. Tbilisi, Georgia. Pp.116-128;
- 2) Beruashvili, N. Chitadze, N (2016). The role of WTO (World Trade Organization) in the promotion of the International Trade and formation of the new economic and business environment in the World. Journal of business. Vol 5, No 2. Tbilisi, Georgia. pp.17-25;
- 3) Beruashvili, N. Chitadze, N. (2017). IMF in Regulating of Crisis Phenomena in the World Economy and Promoting the Establishment of Friendly Business Environment at the Global Level. Journal of Business. Volume 6/Issue 1. Tbilisi, Georgia. pp. 21-27;
- 4) Beruashvili, N. Chitadze, N. (2017). Globalization as One of the Main Indicators of the New World Order and the Role of US in This Process. Journal of Humanities. Volume 7/issue 1. Tbilisi, Georgia. pp. 23-31.