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INTERNATIONAL ORGANIZATIONS

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**Edited by
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The questions of general patterns of activity and the history of the emergence of international organizations and especially of international economic organizations are examined; the characteristics of global organizations of general competence and of sectoral ones, of governmental and non-governmental are presented; the analysis of regional integration associations in different parts of the world are given; the specifics of Georgia's activities in international organizations is described. For students and academics.

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INTRODUCTION

The course "International Organizations" is an important part of the complex of academic disciplines, the study of which is necessary for specialists in the field of "international economic relations". International organizations (IOs) are effective regulators of international relations, particularly in economic sphere. Their significance as institutional units of the international economy is growing. Today virtually all countries of the world - from small and powerful up to those whose economic level yet is low - are combined into the global network of international organizations. The process of globalization, which is constantly expanding and covers almost all areas of economic activity, creates conditions for the formation of supranational institutions regulating economic relations. International organizations are the most active instrument for such regulation.

The objectives of the course "International Organizations" are to provide students with knowledge of the goals, principles and functions of international organizations, of their role in the system of international economic relations, to form the ability to analyze the benefits and possible losses arising from the participation of the country in certain organizations.

In their business practice, the specialists in international economics have to take into account the influence of international organizations on the development of the national economy and to strive for the most efficient use of the positive effects of cooperation with them. They have to be able to defend the interests of Georgia as a whole, and their firms in dealing with international institutions. For this, it is important to know the principles and objectives of international organizations, mechanisms of their operation, their organizational structure, and policies. This is especially true for monetary and trade organizations. Knowledge of the specifics of the activities of international organizations is also useful for other professionals of economic profile, as well as for specialists in law.

The course is structured in such a way that first we will consider the general patterns of activity and the history of the emergence of international organizations. Next, we will give the characteristics of global organizations of general competence and of sectoral ones, of governmental and non-governmental type. Then we will deal with the regional economic integration associations. And at the end of the course we will analyze the participation of Georgia in international organizations.

Chapter 1. International organizations in the regulation system of international economic relations

1.1. The global economic space as a medium for the formation of international organizations

The major actors in international economic relation are states and non-state entities like firms, individuals, multinational corporations, transnational banks, as well as international organizations (IOs). Feature of international organizations as actors in a system of international economic relations is that they, along with states, are **regulators** of those relations. Unlike state bodies, international organizations perform regulatory functions at the supranational level. Being regulators, IOs greatly influence the development and orientation of international relations, by involving many countries in an ordered process of interaction. In fact, today there is almost no state in the world that would not be a member of a certain organization; most of the countries are members of several organizations at the same time [1].

International organization (IO) in a broad sense is an international alliance of states, of groups or individuals from different countries, which jointly realize an agreed program, by acting on the basis of certain norms, procedures and by spreading its activity beyond national boundaries.

The formation of international organizations is an objective consequence of the development of the global society. The main factors which determined their emergence are the following:

- international division of labor,
- international economic integration,
- political relations between countries,
- the globalization of international relations.

The international division of labor (IDL) causes the specialization of particular countries in the production of certain goods and services, an exchange of products, and inevitably leads to international cooperation. The increase in international flows of goods, services, and factors of production, which became especially noticeable since the middle of the nineteenth century, created a need to have the regulators that would prevent the chaotic development of the process by strengthening at the same time its pace. In the XX century, due to the scientific and technological revolution, the process of international division of labor becomes much more deeper. This deepening, in particular, manifest itself in shifting the emphasis from the division of labor of general type into partial and single-type types.

If earlier an international division of labor manifested itself mainly in the form of international trade, then now it increasingly covers the area of production. Specialization in technology, in operations, in production of parts, components, aggregates facilitates the formation of sustainable relationships between companies in different countries, stimulating them to industrial cooperation.

The international division of labor in its highest stage is accompanied by **economic integration**, which is particularly evident at the regional level. Economic integration is the process of economic cooperation, which is leading to the convergence of economic mechanisms, takes the form of international agreements and is governed by international bodies. Intrinsic essence of integration is the process of formation of a common world economic space, entrepreneurship sphere that goes beyond national borders and within which is created common economic, technological, legal, social and cultural requirements to industrial and commercial activities. Integration processes embrace, first of all, highly developed countries with developed mutual economic relations. Compact locations of countries in one region, common historical, cultural conditions are providing additional impetus to integrate them into a single economic entity. International economic integration has gained rapid pace in the second half of the twentieth century. In the new century economic integration spreads as geographically, encompassing more countries and regions, as well especially into the depth, pulling in almost all sectors of the global economy - the production of goods and services, trade, monetary and credit sphere, as well as information, environment, science, culture and so on.

International economic integration is developing from the simplest forms and levels to more complex and perfect, moving from one level to higher. However, at every stage of integration comes the moment when "natural flow" of process begins to be hampered by imperfection of organizational forms of integration or even by their absence. The reasons for this are the following: numerical growth and complexity of international relations, which do not always conform to the scale of the world economy; lack of coordination of foreign policy of states, which care about their own interests. Under such circumstances, it turns out that appears a need in organizations that would have developed "rules" for international relations, which would be appropriate for each degree of integration. Compliance with certain rules and principles of international activities, which are set at the level of international organizations, contributes to the solution of conflicts in the way of integration, and provides a new impetus to its development. A specific form of international organization characterizes each level of integration. Thus, at the regional level, the simplest form of organization - the zone of preferential trade; it is formed at initial stages of integration. For the highest stage of integration, which exist at present, corresponds economic union.

International economic integration is stimulated by the extension of activity of the multinational corporations and transnational banks that, in turn, is a consequence of the deepening of the international division of labor. Transnational corporations (TNC) and transnational banks (TNB) pull together the international economics "into knots", becoming its peculiar "nerve centers". Objectively multinational corporations contribute to the formation of the organizational structure of international economic relations since they concentrate their regulatory functions on transnational level.

Remarkable role in the formation of international organizations plays **political factor**. Many political leaders in the history of humankind tried to find the solution of many political problems in the way of formation of alliances, blocks, and pacts. Most of these inter-state formations had mainly military orientation and disintegrated with changing political situation in the world. And today there are international organizations which have defensive character (NATO) or those in which political objectives are predominant (Council of Europe, the League of Arab States). The Council for Mutual Economic Assistance (CMEA), declaring that its main purpose is economic integration of the socialist countries, nonetheless remained a political organization, since integration processes there were hampered by non-market nature of economic relations within the socialist system.

Meanwhile history knows many examples of coincidences of political and economic goals. Thus, in 1834 was formed the Customs Union, uniting the small states of North Germany; later this union became the economic basis for the formation of a unified German state. Nowadays takes place the transformation of a purely economic union of Western powers ("Common Market") in an organization, where political functions are becoming increasingly important - the European Union. Often, economic and political objectives are integrates in the very idea of organization. Thus, in 1948 has been founded Organization for European Economic Cooperation in order to optimize the use of American aid for Western European countries according to "Marshall Plan." But, no less important goal herewith was a political association of these countries with the US in the face of a communist threat in Europe. Since 1961 the association is called the Organization for Economic Cooperation and Development (OECD), it is significantly expanded, but the organic intertwining of political and economic goals remain characteristic of this organization.

There are examples where the objectives of the founding of organizations initially were mainly political, but later their functional structure has been diversified. Thus, the United Nations was created primarily as a voluntary association of countries that sought to achieve political gains: the destruction of fascism, peaceful coexistence, non-discrimination in international relations and so on. But gradually among the functions of the United Nations began to assume significant weight those of them which initially were considered, so to speak, as secondary: economic cooperation between countries, cooperation in the environmental, humanitarian, scientific and cultural spheres. So the political association has become a multifunctional, a universal organization. In this case, the will of majority of countries to unification has created favorable political conditions for integration processes on a global scale. One can remember the precursor of the UN, the League of Nations, which failed to achieve their goals because of a lack of political will of its members to cooperate. It follows from this that the political factor in process of formation of the institutional medium of international economic relations is not only closely linked with economic factors, but under certain circumstances can them precede.

Among the factors in the formation and development of international organizations in recent years increasingly important are becoming **the global problems** of our time. These issues affect the entire world or a significant part of it and cannot be solved by each country alone. These problems are: the problem of scarcity of natural resources; environmental problem; demographic problem; the problem of disarmament; food problem and others.

Natural resource potential of our planet as a whole is quite powerful and is far from being exhausted. But in terms of various types of resources as well as industries using them the situation is different. The reserves of some important for humankind natural resources are limited and cannot be reproduced. This applies first of all to fuel and energy resources - or rather, fossil fuels (oil, gas, coal, peat, shale). The rate of their mining was high throughout all the twentieth century. Exhaustion of oil and gas reserves can happen within several decades. Essentially, almost all the land resources suitable to agriculture are exhausted; moreover, the area of suitable land every year is reduced due to erosion and salinity. The area of forests is also reduced, despite some recovery by means of artificial plantings in Europe and North America and so on.

The severity of natural resource problem consists in the fact that the bulk of minerals, timber and some other resources are consumed not there where they are mined. Industrialized countries consume 85-90% of the total world consumption of most types of minerals, although their own resources make less than half of the world's mineral reserves. Thus, the central problem in the use of natural resources is their just distribution, what means not only to best meet the needs for resources, but also non-discriminatory prices, the elimination of monopolization of production and sales of the most important resources. The achievement of an equitable solution of that issue so as to satisfy the owners and users of resources by purely market methods is very difficult, or even impossible. So arises the need in regulatory activity of international organizations that set the "rules of the game" in the best interest of all stakeholders. For instance, the European Court has established special relations with the group of associated developing countries. These relationships are fixed by so-called Lomé Conventions and provide in particular, the supply of raw materials to the EU at prices advantageous to both parties.

However, it is not always possible to combine the interests of owners and consumers, especially when it comes to countries with different levels of development. In this case, the owners of resources (most often - developing countries) form an intergovernmental organization of cartel type, aimed at establishing a "fair" price for a particular resource. The most glaring example of this type of organization is the Organization of Petroleum Exporting Countries (OPEC).

The problem of natural resources closely linked to the **ecological** problem. The rate of exhaustion of components of the environment increased to such extent that ecological systems (ecosystems) are not always able to restore its dynamic balance and this leads to ecological crisis and even to disasters. Suffice it to recall

the pollution of the Great Lakes of North America, the Danube, the dying of Aral Sea, finally, the Chernobyl disaster and the tragedy of the Japanese Fukushima. Pollution of the world ocean is spreading, first of all, by oil and oil products. Rapidly is shrinking the forest area in equatorial and sub-equatorial regions, especially of the Amazon region.

The emission of harmful substances into the environment in the twentieth century became such huge that it caused environmental changes of a global scale, i.e. of a geographical sphere as a whole. These primarily include the increase dioxide emissions in the atmosphere, creating a greenhouse effect and the thinning of the ozone layer. These phenomena can be overcome only by joint efforts of many countries. Therefore, calls for joint action in protecting the environment are heard ever louder, especially in the second half of the twentieth century. The UN has a permanent research program on the environment (UNEP). The most influential non-governmental organization that actively studies environmental problems is Roman club. Besides, the task of environmental protection is contained in the programs of many regional intergovernmental organizations (EU, CIS, etc.).

Yet another global problem that aggravated since the middle of the twentieth century is the **rapid growth of world population**. If at the beginning of the century the number of people on the planet was 1.5 billion, in 1950 - 2.5 billion, at the beginning of 2000 the number has exceeded 6 billion people. That is, during the first half of the century, population grew by 1 billion, and in the second half by 4.5 billion. In 2015 the world's population amounted to 7,4 billions, having increased by about 87 million persons or 1.19% during a year, and calculations show that by the end of 2016 world population should reach 7,48 billion, and the rate of population growth in 2016 will be approximately 240 thousand people per day [2]. The rate of population growth is high in a whole but very uneven by regions. Thus in Western Europe, North America, Japan, Australia, New Zealand (i.e. developed countries) in the second half of the twentieth century, the population grew 1.5 times, in Eastern Europe and the former Soviet Union - by 1.6 times, but in Africa - 3.3, in Latin America - 3 and in Asia - 2,5 times. Thus, the share of developing countries in world population increased from 2/3 to 4/5. High rates of population growth in developing countries are determined by high birth rate. At the same time many countries are characterized by significant mortality and limited life expectancy; in some African countries it is only 35-45 years. In the poorest countries there is a low level of literacy of adults and qualifications of workers.

In recent decades the world's population growth rate slightly slowed down, but it comes at the expense of developed countries and Eastern Europe; in some countries of these regions population even declining. But in developing countries, the population still growing fast enough, at the same time in many of them population growth outpaced the growth of GDP. This leads to the aggravation of social problems. In particular the unemployment rate in developing countries is higher than in developed countries. Apart from the purely economic reasons, a

high proportion of young, working age population exactly in the poorest countries causes this situation.

So developing countries are experiencing population pressures much higher than developed countries. This objectively motivates the desire for migration from poor countries to rich ones. But on the way of migration flows there are many obstacles set by the governments of developed countries to prevent excessive competition for workers in their countries and to avoid undesirable changes in the ethnic structure of the population. Thus, global demographic processes need a thorough, comprehensive regulation at the intergovernmental level. Most attention to demographic problems pays the UN. Here, was created a special functional Commission on Population and Development. In addition, at the UN there are several funds, centers, and agencies dealing with different aspects of demographic processes: United Nations Population Fund (UNFPA), United Nations Human Settlements Program (UN-Habitat), United Nations Children's Emergency Fund (UNICEF) and others. Demographic issues are also the focus of the World Health Organization (WHO).

For many countries, the primary problem remains the **problem of food**. The low level of productivity, lack of funds, shortage of arable land, relative overpopulation leads to chronic malnutrition or even starvation of millions of people in the world. At the end of the twentieth century, their number was 750 million people. And the prospects in this respect for the nearest years are not very encouraging. In the last decade of the twentieth century, per capita consumption of wheat in the world fell by 10%. Starting from the 70th of XX century, food production per capita in Africa annually is reduced by 1% [3, p. 9]. During last 30 years of the last century average per capita GDP in least developed countries decreased by 5%, and in countries such as Haiti, Madagascar, Niger, real GDP decreased by 40-50% [4, p. 23]. If average per capita GDP in the world at the beginning of the century was 7900 dollars (at purchasing power parity - PPP), then in Somalia it amounted to only \$ 600, Sierra Leone - \$ 500, Afghanistan - 700 dollars, Burundi - \$ 500.

Under these conditions, joined efforts of all nations of the world are needed to help the weakest countries. One can undoubtedly state that food assistance from the international community to the countries of Sahel zone (Northern savanna) and East Africa in the 70-80 years of last century saved millions of people from starvation. And the most effective food assistance is carried out by specialized organizations of the UN system. These are - the Food and Agriculture Organization (FAO), World Food Program (WFP), and others.

The above-mentioned factors act together, interact and, reinforce each other thus demanding from the international community the coordinated cooperation. The most important, general prerequisite for the formation of international organizations is the **internationalization of economic relations** and the emergence of the **world economy**. The world economy can be defined as a system of national economies of the world, linked through mobile production factors.

Based on this is formed the international economy, are deepening the international economic relations.

The internationalization of the world economy is a combination of international relations based on the internationalization of production, which is formed by the international socialization of production in the course of international division of labor. From the second half of XX century internationalization of the world economy are increasingly expressed in in the international economic integration. However, as we already know, integration can only be effectively broadened when it is strengthened by the collective political will of participants of this process. Thus, the internationalization of the world economy is accompanied also by political acts, among which the formation of international organizations occupies a prominent place.

1.2. The typology of international organizations

At the beginning of the XXI century, the number of international organizations is already measured in thousands. They are very diverse in terms of participants, objectives, functioning, place in the institutional environment of international business and the impact on international relations. The most numerous are the so-called non-governmental organizations, the number of which is about 20 thousand. Considerably less intergovernmental organizations, but nonetheless about 3 thousand, and their number is increasing almost every year. Such diversity of organizations makes it difficult to classify them and to distinguish the different types of organizations on the basis of any single scheme. The typology of international organizations reflects those aspects by which the nature and activities of organizations is analyzed. The typology of international organizations reflects those aspects according to which the nature and activities of organizations is analyzed. That is, there are certain **criteria** for the identification of the type of organization, depending on aspect in which we are going to analyze it.

The main criteria for the typology of international organizations are:

- the membership of subjects of international relations and legal status of the organization;
- geographical spreading;
- functional direction;
- the nature of activities.

By the composition of members and legal status the organizations are divided into intergovernmental and non-governmental.

Intergovernmental Organizations (IGOs) are formed on the basis of official governmental agreements between countries. If the agreement is concluded only between the two countries, such interstate agreements are called bilateral; they do not constitute yet the organization in the usual sense. When there is multilateral agreement the actions of states are of institutional character and organization is formed - the institutional unit of international relations. Variations of such type of organizations are intergovernmental economic organizations. There are many

examples of intergovernmental organizations: UN, NATO, OSCE, etc.; among intergovernmental economic organizations - the European Union, IMF, NAFTA and others. In the work of intergovernmental organizations participates the representatives of government of member state; the government is responsible for his actions. Thus, a representative of the organization defends not his own point of view, but position of his government, which was agreed at the appropriate level. For example, if a member of the UN Security Council votes for a certain decision, it means that he is authorized to such action by higher government authority (President, Prime Minister, and Minister of Foreign Affairs). Professional qualities, talent and intellect of this representative of the country are manifested in the ability to convince other members of international community in the correctness of the position of his government on a particular issue.

Non-governmental organizations (NGOs) are formed on the basis of individual or collective membership of subjects which are not official representatives of their governments. For example, the Roman club includes on an individual basis prominent scientists of the world; usually they are not members of the government in their states, and the government does not authorize them (at least formally) to uphold the official view. Therefore, members of non-governmental organizations have much more freedom in their actions; they can express their opinion, regardless of the position of their government. This leads to flexibility and promptness in the discussions on many issues and in decision-making. But the government is not responsible for the actions of its citizens - a member of the NGO. If the IGO's decision obliges (completely or to some extent) the government to implement this decision, the decision of non-government organization can be just taken into account or even be ignored. However, non-governmental organizations have a strong influence on international relations. For example, the London club, which is an advisory committee of the largest private banks in the world, often effectively decides on credit or debt restructuring of a country in cases where the government is unable to cope with the situation. A significant number of non-governmental organizations functions in the economic sphere, this are non-governmental international economic organizations. The most famous of them are the International Chamber of Commerce, Union of International Fairs, International Cooperative Alliance, and the World Confederation of Labor.

By **geographical spreading**, international organizations are divided into global and regional. Global organizations unite countries or other subjects of international relations, regardless of where in which part of the world they are located. The best example of organization of this type is the United Nations, which unites the overwhelming majority of countries on the planet. The global type of organizations also comprises the International Monetary Fund (IMF), the World Trade Organization (WTO), Red Cross, the Roman club, the Organization for Economic Co-operation and Development (OECD), and others. The concept of "global" in this case is identical to the term "trans-regional".

Regional international organizations unite countries located in any particular region, usually concentrated in the vicinity. There are many of such organizations: European Union (EU), North American Free Trade Association (NAFTA), the Association of Southeast Asian Nations (ASEAN) and others. Sometimes the region covers a very large area, which may go beyond one part of the world or continent. For example, NATO includes Western Europe and North America, the CIS - Eastern Europe and Asia. The Association of Asia-Pacific Economic Cooperation (APEC) even comprises countries of four continents: Asia, North America, South America, Australia; connecting link and core element here is the Pacific, to which are turned or economically gravitate member states. The unifying element for the NATO is the North Atlantic, for the CIS - the former USSR. The binding to a specific area is the hallmark of regional organizations. There are cases where a regional organization includes the countries of another region. For example, the Colombo Plan of joint development in South and Southeast Asia comprises not only countries in the region, but also the United Kingdom, Australia, Canada, and the USA. The organization, nevertheless, remains regional. The point is that the Colombo Plan (formed in 1950) initially was the aggregate of the former Asian colonies and dominions of Great Britain; that is why there turned out to be metropolis and its dominions - Australia, Canada, and New Zealand. USA, who became members of the organization later, is here because of strengthening of its political and economic influence in the region.

By **functional orientation**, organizations are divided into organizations of general competence and special competence.

Organizations of **general competence** in their activities cover a wide range of issues and directions. An unprecedented here is the UN whose activity extends to areas: political, environmental, security, legal, and others. Its organs perform functions of discussing issues, advisory, research, regulatory, technical support and many others. The majority of regional organizations especially those created in the process of economic integration have also multifunctional character. For example, the functions of the EU are highly ramified; they include: management of the economy in general, customs regulation, the sphere of credit, foreign exchange market, migration policy, coordination of foreign policy and so on.

To **the organizations of special competence** belong organizations in which one of the functions is a major, dominant, and the remainder (if any) - ancillary. Trade is also the main function of the World Trade Organization (WTO); the function of the World Tourism Organization is to promote international tourism.

Many of non-governmental organizations are nonfunctional; for example, the London club is intended for credit regulation, the Roman club - for the solution of social and environmental issues and the dissemination of knowledge about them. The primary function of International Chamber of Commerce is the protection of private entrepreneurs in international economic relations.

It happens rarely that the organization has only one function. Consequently, the prefix "mono" is somewhat arbitrary and means that certain function is dominant. But even with this caveat is not always possible unconditionally refer

the organization to certain type. For example, the International Monetary Fund or the World Bank seems proclaim the main function already by its very name. But in the respective areas of their activity these organizations perform so many functions that it is not so easy to identify the leading one. So, the IMF performs following functions: regulation of international payments, supervision of the international monetary system; providing short-term and medium-term loans; issue of international reserve assets (SDR); advising on international finance and so on.

On **character of activity**, international organizations are divided into universal, political, economic, humanitarian, cultural, educational, and defensive and others. The nature of the organizations is closely connected with the functions they perform, especially with dominant one.

Such **universal** international organization is the UN, which performs the functions of regulation and supervision in key areas of human activity. To the universal type of organization nears up the European Union, in activities of which various economic functions were supplemented by political ones (common citizenship, coordinated foreign policy, a common parliament, etc.).

Political organizations unite countries where political goal of association is decisive one. For instance, the main goal of the League of Arab States, envisages protecting the interests of the Arab countries in the world, coordination of activities for raising welfare, to strengthen political and cultural unity of the Member States, coordination of actions in the military sphere. A similar objective has Organization of the Islamic Conference, yet it puts the accent of its political activity not on national but confessional solidarity. The political nature has of the Organization of African Unity (OAU) though among its goals is also economic ones. In Europe, there are also international organizations where political function is principal. This is Western European Union (WEU), the Council of Europe, the Organization for Security and Co-operation in Europe (OSCE).

Organizations of military or defensive character closely related to the type of political organizations. Thus, Western European Union was a military and political organization. By the Maastricht Declaration (1991) it has been defined as "defensive component" of the European Union (EU), but these two organizations still operate as independent (Since 2011 the Western European Union has officially ceased to exist). A purely military in nature is the North Atlantic defense organization (NATO).

According to the terms of membership in international organizations, they are divided into open and closed. The **open** organizations accept any state, which shares the principles and the charter of the organization. The **closed** accepts new members only at the invitation of the founders of the organization.

In the system of international organizations significant role belongs to **economic organizations**. The development of international relations, deepening of the international division of labor, international economic integration lead to the fact that the impact of economic relations on the other spheres of international cooperation is becoming increasingly significant. Today the most of regional organizations among other goals somehow declared the cooperation in economy.

The UN has a large block of organizations responsible for purely economic issues, subordinated to the Economic and Social Council (ECOSOC): 9 functional commissions and 5 regional commissions, 18 specialized institutions (among the latter - the IMF, World Bank, FAO and others).

International economic organizations are divided in its turn on general economic and specialized. **General economic** organizations are responsible for a wide range of economic issues. These include the Organization for Economic Cooperation and Development (OECD), as well as regional organizations of integration type - the EU, the CIS, NAFTA, ASEAN and others.

The **specialized** economic organizations are focusing on a narrower range of issues; but many of them play significant role in the international economy. To this type of organizations belong the World Bank, IMF, WTO, World Tourism Organization, the International Chamber of Commerce, and many others.

The economic organizations that emerged because of regional integration processes are also classified by the **degree of integration**. Basic levels or stages of regional economic integration are zone of preferential trade, free trade area, customs union, common market, economic and monetary union, political union.

Zone of preferential trade is the initial stage of integration. At this stage, member states of the zone liberalize the trade between themselves only on a limited number of products grant each other some benefits. To this type of organizations belong CIS and a number of organizations in Africa, Asia and Latin America.

Free trade area is characterized in that member states eliminate trade barriers between themselves and abolish customs duty for most goods. But with regard to third countries that are not included in the zone, each member carries out an independent customs policy. This level includes, in particular, the European Free Trade Association (EFTA), the North American Free Trade Association (NAFTA), Association of Southeast Asian Nations (ASEAN), and others. It should be noted that not all experts in the field of international integration distinguish the zone of preferential trade as an independent stage of this process; according to some of them, the first step of integration is precisely the free trade zone. But careful analysis nonetheless identifies the differences between the two types.

Customs union envisages the elimination of customs tariffs in trade between the participants and the formation of a common customs policy; this means that all member states establish the same level of tariffs in trade with other countries. At the stage of the customs union were countries of the European economic cooperation in the first decade of formation of organization (1958-1968). Close to the concept of a customs union fit some Latin American Integration associations - Latin American Integration Association (LAIA), MERCOSUR, as well as the Customs Union established between Russia and Belarus, the effect of which began with 2010.

Common market - is already a high level of integration. Not only goods are moving smoothly across borders; the barriers to movement of labor, services and capital are removed. Integration ties are rapidly developing and deepening, jointly

agreed economic policy is carried out. This type of integration was characteristic of European Economic Cooperation (EEC) in the 1969-1992. It is precisely this organization received the informal name "common market".

The Economic Union completes the structural building of the economy as a single integration association. At this stage, the unified monetary policy is carried out, a common currency is introduced; a single central emission bank is created. The European Union is at this stage since 1992 (after the conclusion of the Maastricht Treaty). The logical completion of full economic integration has to be a political union, on the threshold of which stands EU, and which already is partially realized.

1.3. The main stages of formation and development of international organizations

As already noted, as a first international organizations can be regarded (with some degree of conditionality) military alliances, whose history dates back to ancient times. Concerning economic organizations, as one of the oldest examples can be considered Hansa - political and trade union of north German cities, it existed in the XIV-XVII centuries. The center of Hansa was Lübeck; its trading posts were located in Novgorod, London, Berlin, and Bruges. This organization brought together nearly a hundred cities. Its functions were: protection and equipment of commercial expeditions, establishment of trading factories in major cities, mainly in the Baltic countries, receiving all kinds of trade privileges, the unification trade law. Hanseatic merchants traded mostly bread and fur, leather, linen, wax, honey, cloth, wines metal products. Each merchant was independent in his trading operations but was protected by the organization. The long life of the Hanseatic League demonstrates the effectiveness of its activities.

Another, already more recent example of the formation of an international organization to address economic problems was German customs union, established in 1834. At that time Germany was a conglomerate of dozens of small principalities, each of which had its own currency, its customs policy, a system of weights and measures, which very complicated the trade relations between them and did not contribute to the unification into a coherent state. The customs union united 18 German states, the main of which was Prussia. Inside the union tariffs were cancelled, but were established protectionist tariffs against third countries. This significantly weakened foreign competition, especially from the side of England. Although the Customs Union has not solved all the problems (northern principality, connected to maritime trade, did not join it), yet it gave a boost to economic and eventually political unification of Germany.

However, these (and some similar) organizations that existed before the mid-nineteenth century, has not yet formed the international system. They existed in isolation from each other, without mutual functional relationships, not causing a significant impact on global economic development or political relations. It is believed that organizations such as the German Customs Union to some extent

became a prototype for the later international organizational structures based on economic integration.

The process of building up of an integrated system of international organizations started about the middle of the nineteenth century. Since then and to this day can be distinguished the following main stages of development of the system:

Stage I (from mid-nineteenth century - to the middle of 40s years of XX century) - the becoming of the system international organizations.

Stage II (from middle of 40s years – to the end of 50s years of XX century) - the formation of the United Nations Organization;

Stage III (from the end of 50s years – to the end of 80s of XX century) - accelerated creation and proliferation of international regional organizations;

Stage IV (since the 90s) - the transformation of the nature of international institutions as a result of the collapse of the world socialist system.

This scheme is conditional because distinct boundaries between the stages cannot be drawn. Thus, regional organizations arose in the 40s (e.g. CMEA - The Council for Mutual Economic Assistance). However, each stage is characterized by most typical aspect of the system, so it's singling out is justified.

Let us follow the main landmarks on the way to the formation of international organizations.

1. The formation of international organizations (the middle of XIX century - mid-40s of XX century). An important incentive factor in the formation of international organizations was the Industrial revolution that ended in most European countries, the USA and Japan before 70s years of the XIX century. Europe and North America were covered with a dense network of railways; steam navigation united the continents by regular voyages, appeared telegraphic communication. The world became "narrow", postage links between people of different countries and regions became increasingly common. But the existence in each country their specific rules, tariffs, management, after all, practices in transport and communication hindered the process of formation of the global communication system. There was a need for international organizations, which would combine national rules into a single functional system. And these organizations emerged.

In 1865, was established the International Telegraph Union, and in 1874 - the Universal Postal Union. These two organizations, which still exist, became to some extent a model for later creation of narrowly specialized organizations of global nature, in particular in sea and air transport.

The process of ordering has begun also in the field of international monetary relations. In 1867, Paris conference was held, on which the basic rules of the monetary system, based on the Gold Standard were established. These include the establishment of the gold content of currencies; convertibility of currency into gold; free gold for sale on international markets; ensuring the stability of currency exchange by control authorities of countries; the formation of free-floating currencies within the "golden point" and others. At the Paris conference was not

established permanent international bodies, but conference ensured the conditions by which the Gold Coin Standard system functioned quite effectively until the First World War.

After the war the Gold Standard system went wrong. Hostile separation of states, caused by military actions, has hampered international currency flows. The postwar economy was destroyed, and this resulted in the weakening of national currencies. It was necessary to establish new rules in international monetary relations, which would correspond to a new stage of development of the global monetary system.

This problem had to be solved by Genoa international economic conference (1922), which declared partial return to the Gold Standard. Foreign currencies of leading countries began to be used in international payments along with gold. As reserve currency most frequently the US dollar and pound sterling were used. Gold parities were preserved; regime of free currency exchange fluctuations was recreated. Currency regulation was carried out through an active monetary policy of the governments, decisions of international conferences and meetings. The Genoa monetary system demonstrated relative efficiency up to 1929, but World economic crisis (1929-33), accompanied by the currency crisis in fact had refuted it.

On the background of monetary crises which became more frequent, more and more was felt lack of continuously operating supranational organizations that would coordinate the policies of national banks and financial institutions of various countries. And such an organization has become the Bank for International Settlements (BIS), established in 1930 in the city Basel (Switzerland) on the bases of international agreement of six countries (Belgium, UK, Germany, Italy, France, Japan), later joined by several other countries. The main function of the BIS was to promoting cooperation between the central banks of countries, facilitation of international financial transactions, and international regulation of monetary and financial relations. Although BIS until the end of the Second World War could not fully achieve this goal, yet it was the first institution of its kind in the monetary and credit sphere.

The process of internationalization of economic activity, which gradually gained strength, led to the emergence of international regulators in industry and trade. In 1883, was adopted the Paris Convention for the Protection of Industrial Property. In 1919, was established the International Chamber of Commerce (ICC) - a non-governmental organization that brings together entrepreneurs, the companies around the world. ICC aims to promote entrepreneurship by encouraging trade, free movement of capital, i.e. its activity goes beyond the purely commercial goals.

Also in 1919, the International Labor Organization (ILO) was founded, which had the status of an international commission for the development of conventions and recommendations on labor laws and betterment of working conditions.

At the first stage of the development of the system of international organizations emerged predominantly monofunctional, highly specialized entities. Regional organizations did not exist unless you take into account short-living military alliances (Entente, for example). As for the general global organizations of multifunctional type, then the attempt of such kind was the formation of the League of Nations, which appeared in 1920 (officially founded in 1919) as a reaction to the political consequences of the First World War. Its objective was the development of cooperation between nations and the guarantee of peace and security. But the interests of the European powers at that time were so contradictory that attempt to establish cooperation failed. After an exit from the League of two strongest countries in Europe - Germany (1934) and the USSR (1939) - it became clear that the organization cannot achieve its goals. The League of Nations was officially dissolved in 1946, but in fact it stopped functioning on the eve of World War II.

2. Formation of the United Nations (from the mid-40s - to late 50s of XX century)

The second stage of the formation of international organizations was short but full of important events. The most important of them was the emergence of the United Nations (UN), which is the unique international entity, a global forum of nations, the body that regulates almost all aspects of international activities. UN - not just an organization; it is a complex, ramified, multifunctional system that brings together dozens of organizations at various levels, commissions, committees, institutes, and others. With the emergence of the UN, nations got a hope of stopping the confrontation between states, on a just settlement of international problems. Although these hopes were not fully justified, the achievements of the United Nations in the strengthening of trust and mutual understanding between peoples are undeniable.

The United Nations was founded in 1945 as a manifestation of the resolve of leaders of anti-Hitler coalition states to end to fascism and world wars. Given the sad experience of the League of Nations, the founders of the new organization considered it appropriate to build it on new principles, which provide the responsibility of strongest states for peace and security in the world. The idea of solidarity of peoples of the world has been expressed in the title of the organization - the United Nations.

At the moment of its founding as the main purpose of the United Nations was considered the preservation of peace and democratization of international relations. Now this purpose occupies a prominent place in the activity of the organization. However, very quickly, this sphere began to extend, and the UN has become a multifunctional international body. Besides the main bodies that make up the structure of the United Nations (General Assembly, Security Council, etc.), many organizations the most prestigious in the world, such as the World Bank or International Monetary Fund are subordinated to UN. The United Nations had incorporated even some organizations that were formed long before its foundation

(International Labor Organization, International Telecommunication Union - former World Union telegraph, etc.). The competencies of the United Nations are expanding in the economy, humanitarian sphere, ecology, and politics.

The formation of the United Nations was indeed the crucial event of the second stage of development of system of international organizations. But it started actually a little earlier, in 1944, with the opening of the Bretton Woods monetary conference. Among its important decisions was the introduction of gold exchange standard based on gold and two reserve currencies (dollar and sterling), the equating of the dollar to gold, the introduction of fixed currency parities. But the most important decision was the establishment of international monetary institutions - the International Monetary Fund and the International Bank for Reconstruction and Development, which started work in 1945. They are included into the system of United Nations specialized institutions.

From other influential specialized institutions of the United Nations, which formed at this stage may be mentioned the Food and Agriculture Organization (FAO), the Organization for Education, Science and Culture (UNESCO) and the International Civil Aviation Organization (ICAO).

An important event was the creation in 1948 of the General Agreement on Tariffs and Trade (GATT) - the organization that caused such impact on international relations, which cannot be evaluated unequivocally. The domination in this organization of developed countries, primarily the "Big Seven" became the ground for its accusations by socialist countries and some developing countries in the discriminatory policy. Nevertheless, the GATT, which was transformed into the World Trade Organization (WTO) and today, is the most authoritative and most influential organization in the field of world trade.

By the end of the 40's - early 50s of XX century occurs the formation of the system of regional organizations. At first they mostly had the character of political (League of Arab States, the Organization of American States, the Council of Europe), of military-political (Western European Union) and military (NATO, later the Warsaw Pact) alliances. But gradually more and more organizations were created in which the economic function becomes dominant. This are the Organization for European Economic Cooperation (1948), which became the predecessor the OECD - Organization for Economic Co-operation and Development; The Council for Mutual Economic Assistance (CMEA, 1949); "Colombo Plan" - The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (1951); European Coal and Steel Community (ECSC, 1952). Nevertheless, the highest rise of the process of regional integration is observed on the next stage.

3. Intensification of the process of formation and proliferation of International Organizations (the late 50s - late 80s)

As the beginning of this stage and it's most important event can be considered the formation of European Economic Community (EEC), which later

turned into an economic union. In 1957 in Rome agreement was signed about formation on the base of a combination of the three associations - the European Coal and Steel Community, European Atomic Energy Community (Euratom) and the European Economic Community - of the organization which received the official name "European Economic Community" and unofficial - "common market". EEC started functioning since 1958. It was founded by six Western European countries - France, Germany, Italy, Belgium, Netherlands, and Luxembourg. Fast enough community has shown its effectiveness. The growth rate of foreign trade between the members of organization greatly exceeded the global average; cooperative industrial relations became stronger; the investment process within the EEC was expanded.

The growth of economic power of "six", its impact on the markets of Western Europe have caused concern of other countries of the region, first of all of the UK. As opposed to the EEC in 1960 was established the European Free Trade Association (EFTA), which included seven countries: the United Kingdom, Denmark, Portugal, Norway, Austria, Sweden and Switzerland. A little later to the "seven» joined Finland, Iceland and Liechtenstein. However, EFTA was unable to become a worthy competitor to European Community. Its domestic market was much smaller since only Great Britain had economic potential comparable to potential of Germany, France, or Italy.

European Community has become stronger and more spread geographically. By the end of the 80s it included also Ireland, Greece, Spain; the participants of the "Common Market" became twelve. The Community regulated its organizational structure, established the basic provisions of common economic policy. In 1979 began to operate the European Monetary System (EMS), which significantly stabilized the currency relationships in Community; the common settlement currency - ECU - was introduced. In 1958 was founded the European Investment Bank (EIB) and the European Development Fund (EDF), in 1973 - The European Monetary Cooperation Fund (EMCOF). Gradually were liquidated all obstacles to the internal movement of factors of production: capital, labor and technology. The Schengen Agreement (1985) abolished border controls over the movement of citizens within the EEC.

EEC acquires more and more features of the political union, goes beyond the purely economic organization. In 1979 the European Parliament begins to operate. In 1987 entered into force Single European Act, which essentially stated the completion of development stage of the common market and outlined ways to achieve a higher level - economic and political union. Thus, economic integration and political cooperation were united into a single process.

The third stage of development of a system of international organizations is characterized by exceptional intensity of the process of regional integration. Not least under the influence of success of the EEC in different regions of the world are formed dozens of organizations that have economic integration as their goal. The largest number of groupings of this type appeared just then. Here are the most famous:

- *In Asia*: Council of Arab Economic Unity - (CAEU, 1964); Association of Southeast Asian Nations (ASEAN, 1967); Organization of the Islamic Conference (OIC, 1971); Cooperation Council for the Arab States of the Gulf ((GCC, 1981); Asia-Pacific Economic Cooperation (APEC, 1989);
- *In Africa*: Organization of African Unity (OAU, 1963); The Central African Economic and Monetary Community (CEMAC, 1966); Economic Community of West African States (ECOWAS, 1976);
- *In Latin America and the Caribbean*: Andean Group (1969); Caribbean Community and Common Market (CARICOM, 1973); Latin American Economic System (SELA, 1975); Latin American Integration Association (LAIA / ALADI, 1980); Inter-American Investment Corporation (IIC, 1989).

As an economic stimulus for the process of regional integration had to become the regional development banks. It was planned that these banks would be consist only of representatives of regional organizations; but it soon turned out that most of them cannot exist by own funds, therefore, with a few exceptions (such as the Islamic Bank), they include some developed countries.

The system of regional development banks as a whole is formed in the third stage, when banks were established: Inter-American Development Bank (IDB, 1959); Central American Bank for Economic Integration (CABEI, 1960); African Development Bank (AfDB, 1964); Asian Development Bank (ADB, 1966); Caribbean Development Bank (CDB, 1970); West African Development Bank - (WADB, 1973); Arab Bank for Economic Development in Africa (BADEA, 1973); Development Bank of Central African States (BDEAC, 1975); East African Development Bank (EADB, established in 1967 and re-established in 1980).

There were also established various regional funds and programs to help countries developing countries (Arab Fund for Economic and Social Development - AFESD, African Development Fund - ADF, Arab Monetary Fund - AMF and others.). Regional organizations or regional development banks usually have founded these funds.

The process of regionalization of international relations has found reflection in the completion of structure of UN regional bodies, commissions on regional development. At the previous stage were created: United Nations Economic Commission for Europe (UNECE or ECE), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP or ESCAP) and the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC or ECLAC). Later the United Nations Economic Commission for Africa (UNECA or ECA) and the United Nations Economic and Social Commission for West Asia (ESCWA) joined them.

At the third stage is activated the development of institutional structure of international monetary market. The World Bank Group led by IBRD was formed; in 1956 International Finance Corporation (IFC) was created; in 1960 - the International Development Association (IDA); in 1966 - the International Centre

for Settlement of Investment Disputes (ICSID); in 1988 - the Multilateral Investment Guarantee Agency (MIGA).

The third stage is characterized by the rise of the formation and functioning of intergovernmental organizations for goods export; they are, in fact, a kind of international syndicates. Among the most influential is the Organization of the Petroleum Exporting Countries (OPEC), which was founded in 1960 by a group of oil producing developing countries. In early 70s, OPEC managed to establish favorable for member states oil prices, which even caused a remarkable energy crisis.

At the same time continues the process of improvement and branching of the UN system. Under its patronage are formed organizations that embrace some narrow sphere of economy. This - International Atomic Energy Agency (IAEA, 1957), International Maritime Organization (IMO, 1958), International Fund for Agricultural Development (IFAD, 1977); special status in relation to the UN has United Nations World Tourism Organization (UNWTO, 1975).

In order to coordinate economic relations in the field of world trade, improve terms of trade, especially considering the interests of developing countries, was established important body of the UN - Conference on Trade and Development (UNCTAD, 1964). Unlike GATT, this organization is open to any country. To some extent it had to become an alternative to hard-line GATT; however, UNCTAD did not replace GATT. Happened some divergence of functions of GATT and UNCTAD; and in order to coordinate their actions was formed a common International Trade Center (ITC, 1964). Regulation of international relations in industrial sphere, promoting the industrialization of developing countries, was assigned to United Nations Industrial Development Organization (UNIDO).

So, the third stage of development of international organizations proved to be very fruitful. Took place the process of the branch diversification (involvement into the system of new areas of international economy); at the same time the system grew in breadth, covering all the new countries and regions. In parallel to the process of regionalization, there was a process of globalization. The last is confirmed not only by the strengthening of interaction between organizations within the system, but also by transformation some of the regional organizations into the global one. Thus, in 1961 emerged the Organization for Economic Co-operation and Development (OECD), which "grew" out from the regional Organization for European Economic Co-operation (OEEC). Globalization in the development of international organizations also manifested in that the many countries are participating in several organizations at the same time that happens continuous, many-sided cooperation around the globe in a single system of international organizations.

4. Restoration of a unified system of international economic relations (since the 90s of XX centuries)

The objective course of development of international economy, the deepening of globalization of international relations increasingly revealed unnaturalness of split of the world economy into two systems - market and nonmarket, socialist. All clearer became urgent need of economic, social and political reforms in the socialist countries. Significant milestone in the convergence of the two systems was the Final Act of the Conference on Security and Cooperation in Europe, signed in Helsinki in 1975. It provided measures to strengthen trust between countries. In 1990, Participants of conference adopted the Charter of Paris for a New Europe, declaring the end of an era of confrontation and the beginning of an era of democracy, peace and unity. In 1995, Conference took on a new name - the Organization for Security and Cooperation in Europe (OSCE). Nowadays the OSCE comprises almost all European countries, Asian CIS countries, the USA and Canada.

As its main goal, the OSCE declares the peace between European countries that will facilitate peace and security worldwide. It formulated the famous "ten principles" on which have to be built relations between states.

In order to support the transition of countries of Central and Eastern Europe to a market economy in 1990 was established European Bank for Reconstruction and Development (EBRD), which has allocated substantial funds for implementing reforms in the former socialist countries.

The Helsinki Final Act can be rightly considered as a precursor of a new era of economic and political relations between countries not only in Europe but worldwide. 90-s years became the epoch of disintegration of the socialist system in general, and disappearance of the largest socialist state - the USSR. Because of this was created fundamentally new global situation, which significantly affected the condition of the system of international organizations.

Such large blocks as the Warsaw Pact and the Council for Mutual Economic Assistance (CMEA) were eliminated. Instead, were formed regional organizations connecting both the newly independent states and the former socialist countries of Europe. To a large extent this process has the character of "filling the vacuum", on the territory of post-socialist space simply had to appear organizations that would not permit to the integration movement to fade away. Thus was formed the Commonwealth of Independent States (CIS, 1991). The former Baltic Soviet republics (Estonia, Latvia, and Lithuania) and Russia and Poland joined together with other Baltic states into the Council of the Baltic Sea States (CBSS) (1992). Black Sea states (Azerbaijan, Albania, Bulgaria, Armenia, Greece, Georgia, Moldova, Russia, Romania, Serbia, Turkey and Ukraine) formed an organization called Organization of the Black Sea Economic Cooperation (BSEC, 1992). Kazakhstan, Azerbaijan and former Soviet Central Asian republics became members of the Economic Cooperation Organization (ECO), which was formed back in 1985 on the initiative of Iran, Pakistan and Turkey.

The second most important event at this stage of development of international organizations was the transformation of in the European Economic Community into the European Union, which was confirmed by the Maastricht Treaty (formally, the Treaty on European Union - TEU) in 1992 (entered into force in 1993). The essence of this transformation is that monetary and political union supplemented economic union, which has been formed by that time. Monetary system of EU has undergone substantial reconstruction. Instead of European Monetary Cooperation Fund (FECOM) was created European Monetary Institute (EMI, 1994), which carried out monetary reform. Modern monetary relations in the EU are based on the European system of central banks led by the European Central Bank (ECB, 1999). Common currency was introduced - the euro.

The reputation of the EU, its impact on the global economy is growing. It becomes a sample of economic order for many countries, especially for European ones that seek to enter it, or at least to establish with him special partner relations. In 1995, the number of Member States reached 15. In 2004 to the European Union joined another 10 States, and in 2007 two more countries, so in 2010 the organization already had 27 member countries. As to the other countries, the EU also seeks to establish with them the economic relationships in order to accelerate integration across Europe. In 1992 the European Union and European Free Trade Association (EFTA) signed an agreement establishing the European Economic Area (EEA, entered into force in 1994). For the countries of Central and Eastern Europe the EU has developed a special program of economic co-operation; in particular, with the CIS countries - programme "Technical Assistance to the Commonwealth of Independent States» (TACIS). In 1998 was signed the Partnership and Cooperation Agreement between the EU and Georgia, in 1999 it entered into force. Since the late 70s so called Lomé Conventions – multilateral trade and economic agreements between the EU and developing countries are functioning.

The processes of regionalization spread also to current stage. In 1994 was signed the North American Free Trade Agreement (NAFTA), which united the US, Canada and Mexico. At that time were created: the - Common Market for Eastern and Southern Africa (COMESA), which evolved out of the zone of preferential trade, West African Economic and Monetary Union (French acronym UEMOA) and in 1995 - the Common Market of the Southern Cone (MERCOSUR).

On the territory of CIS in 2001 was formed another association - the Shanghai Cooperation Organization (SCO), which unites Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and China.

An important event was the transformation of the GATT to the World Trade Organization (WTO), with a significant extension of functions.

On the turn of the centuries in the dynamics of the system of international organizations clearly can be traced the following **trends**:

- significantly increases the impact of developed countries, primarily the "big seven" on the functioning of the major international organizations; this is

especially felt in the IMF, World Bank, World Trade Organization, which are practically guided by the club of the strongest states;

- much more active became NATO; the organization is not only expanding territorially, but also takes over the functions that previously belonged only to the UN Security Council (sending troops to countries that are not NATO members);

- respectively (and somewhat unexpected) is decreasing the authority of the UN, which to some extent loses its effectiveness in solving the most urgent problems of mankind;

- the European Union definitely is becoming the center of attraction in the European integration process and, apparently, soon will be spread all over Europe;

- a similar role for Latin American and Caribbean countries may be performed by NAFTA;

- on the basis of Asia-Pacific Economic Cooperation (APEC) arises the powerful economic grouping, which later on can become the center of integration attraction on a large territorial space; already today the total GDP of the organization amounts to 56% of the world volume;

- within the CIS there are local groupings of countries with more active degree of cooperation between participants: Russia - Belarus, Russia - Kyrgyzstan - Uzbekistan - Tajikistan, Ukraine - Georgia - Azerbaijan – Moldova.

TIMELINE OF FORMATION AND DEVELOPMENT OF INTERNATIONAL ORGANIZATIONS

1865	International Telegraph Union (ITU)
1874	Universal Postal Union (UPU)
1919	International Labor Organization (ILO)
1919	International Chamber of Commerce (ICC)
1920	League of Nations
1930	Bank for International Settlements (BIS)
1945	United Nations (UN)
1945	International Monetary Fund (IMF)
1945	International Bank for Reconstruction and Development (IBRD)
1945	Food and Agriculture Organization of the United Nations (FAO)
1945	League of Arab States or Arab League (LAS)
1946	United Nations Educational, Scientific, and Cultural

	Organization (UNESCO)
1947	International Civil Aviation Organization (ICAO)
1947	International Telecommunication Union (ITU)
1948	General Agreement on Tariffs and Trade (GATT)
1948	Organization for European Economic Cooperation (OEEC)
1948	Organization of American States (OAS)
1948	World Health Organization (WHO)
1949	Council of Europe (COE)
1949	Council for Mutual Economic Assistance (CMEA)
1951	“Colombo Plan”
1951	European Coal and Steel Community (ECSC)
1956	International Finance Corporation (IFC)
1957	Treaties of Rome establishing the European Economic Community (EEC) and European Atomic Energy Community (Euratom)
1957	International Atomic Energy Agency (IAEA)
1958	International Maritime Organization (IMO)
1958	European Investment Bank (EIB)
1958	European Development Fund (EDF)
1959	Inter-American Development Bank (IADB)
1960	International Development Association (IDA)
1960	European Free Trade Association (EFTA)
1960	Benelux
1960	Organization of the Petroleum Exporting Countries (OPEC)
1960	The Central American Bank for Economic Integration (CABEI)
1961	Organization for Economic Co-operation and Development (OECD)
1963	International Bank for Economic Cooperation (IBEC)
1963	Organization of African Unity (OAU)

1964	United Nations Conference on Trade and Development (UNCTAD)
1964	International Trade Centre (ITC) subsidiary of UNCTAD/WTO
1964	African Development Bank (ADB or AfDB)
1966	Asian Development Bank (ADB or AsDB)
1966	Central African Customs and Economic Union (UDEAC - French: Union Douanière et Économique de L'Afrique Centrale)
1966	International Center for Settlement of Investment Disputes (ICSID)
1967	United Nations Industrial Development Organization (UNIDO)
1967	Association of Southeast Asian Nations (ASEAN)
1967	East African Development Bank (EADB) (re-established in 1980)
1969	Andean Community of Nations (CAN)
1970	World Intellectual Property Organization (WIPO)
1970	International Investment Bank (IIB)
1971	Organization of the Islamic Conference (OIC)
1973	Caribbean Community and Common Market (CARICOM)
1973	European Monetary Cooperation Fund (EMCF)
1973	Arab Bank for Economic Development in Africa (BADEA)
1973	West African Development Bank (BOAD - French: Banque Ouest Africaine de Développement)
1975	United Nations World Tourism Organization (UNWTO)
1975	Latin American Economic System (SELA - Spanish: Sistema Económico Latinoamericano y del Caribe)
1975	Central African States Development Bank (CASDB or BDEAC - French: Banque de Développement des Etats de l'Afrique Centrale)
1975	Islamic Development Bank (IDB)
1976	Economic Community of West African States (ECOWAS)
1977	International Fund for Agricultural Development (IFAD)
1977	Arab Monetary Fund (AMF)
1979	European Monetary System (EMS)

1980	Latin American Integration Association (LAIA / ALADI - Spanish: Asociación Latinoamericana de Integración)
1985	Economic Cooperation Organization (ECO)
1988	Multilateral Investment Guarantee Agency (MIGA)
1989	Asia-Pacific Economic Cooperation (APEC)
1991	European Bank for Reconstruction and Development (EBRD)
1991	Commonwealth of Independent States (CIS)
1992	Treaty on European Union (TEU)
1992	Council of the Baltic Sea States (CBSS)
1992	Organization of the Black Sea Economic Cooperation (BSEC)
1994	European Economic Area (EEA)
1994	North American Free Trade Agreement (NAFTA)
1994	Association of Caribbean States (ACS)
1994	European Monetary Institute (EMI)
1994	Common Market for Eastern and Southern Africa (COMESA)
1995	World Trade Organization (WTO)
1995	Common Market of the Southern Cone (MERCOSUR - Spanish acronym of Mercado Común del Sur, or Portuguese Mercosul (acronym of Mercado Comum do Sul) -
1998	European Central Bank (ECB)
1999	The entering into force of the Partnership and Cooperation Agreement between the EU and Georgia
2000	Eurasian Economic Community (EAEC or EurAsEC)
2000	Georgia became the 137th Member of the World Trade Organization
2001	Shanghai Cooperation Organization (SCO)
2003	Agreement on Formation of the United Economic Space (UES)
2004	Accession to EU of 10 new Member States: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia

2006	The Adoption of EU-Georgia European Neighborhood Policy Action Plan (ENP)
2007	Accession of Bulgaria and Romania to EU
2010	Came into existence Eurasian Customs Union (EACU)

Chapter 2. The mechanism of functioning of international organizations

2.1. Legal norms and principles of international organizations

International organizations are subjects of international law. International law, including international economic law - is a set of the principles and rules governing the relationship between actors. Normative basis consists of rights and obligations of international law. Norms of international law define a "limits of permitted" in international relations, establish peculiar rules of conduct for subjects, including international organizations.

International legal norms are formed on the basis of agreements between the participants of international relations. If an agreement is officially declares by subjects, then such norm is called contractual; if the norm is not declared, but is implied and is not denied, it is called international custom.

There are two types **of agreements** - unilateral and multilateral, depending on the number of participants. Usually agreements on bases of which international organizations are formed are multilateral. In international treaties (agreements) are fixed rules and principles regulating international relations. Treaties are divided into general and specific. General agreement embodies the norms that are recognized as universal, designed for a long time. Most of the agreements related to international organizations are general in nature. As regards of specific agreements, they are usually signed between the two countries and are short term in nature (for example, an agreement on the construction of some object by joint efforts).

International customs - are the norms, which are formed due to long-term practice of international relations. They may be set based on the resolutions of international judicial organizations (e.g. the International Court of Justice), on the basis of official statements of the heads of states or governments, of national legislation of states. All participants of international agreements determine the custom, so to speak, "silently", as such which does not require additional discussions. For example, a custom was adopted a norm, all States have sovereignty over their natural resources.

International legal norms may be made as a result of decisions of international organizations or conferences. To such solutions belong, for example, the UN Declaration on establishment of the new international economic order. Decisions can be mandatory or recommendatory. Depending on the nature of the decisions distinguish "soft law" - decision-recommendations or "hard law" - binding decisions. Recommendatory decisions shall be adopted mainly by plenary (higher) bodies of organizations and are addressed to the Member States. Mandatory decisions are directed mainly on implementation of internal bodies of organizations (approval of budget, control over the implementation of resolutions, accepting new members, financial policy, etc.). The majority of decisions of the General Assembly are advisory in nature but in the practice of international

relations rarely which of state can ignore them. Similarly, the IMF decisions, despite of their largely advisory character, are perceived without questions as binding to implement.

Sometimes the recommendations constitute a whole code, a system of rules governing the actions of subjects of international relations in a given area. These rules are called **international codes of conduct**. They systemize conduct rules of organization members in international cooperation in a certain area of relationship. For example, the rules been developed for regulation of transportation by commercial fleets, a code of conduct for transnational corporations, the code of conduct of States in the process of high technologies transfer and so on. Usually codes of conduct are developed by organizations of the UN system.

Thus, we can summarize the formation sources of regulatory framework of the activities of international organizations. These include:

- international agreements;
- decisions of international organizations and conferences;
- international traditions;
- international codes of conduct.

Besides the contractual and customary rules important role in legal regulation of activities of international organizations play the principles of international law. Principles are treated as rules that are binding for all members of the international organizations. Principles are divided into general and special.

The general principles embody the most common rules of conduct and cover a wide range of international relations. The general principles are based on the natural laws of behavior that been evolving in social relations for centuries. The general principles include, in particular: the principle of peaceful coexistence between states; the principle of sovereign equality of states; the principle of cooperation between states; the principle of voluntary fulfillment of international obligations; the principle of mutual benefit in the interstate relations.

Special principles cover a somewhat narrower sphere of relations between the subjects of international law and have more specific. Among the special principles are: the principle of freedom to choose the form of foreign economic relations, the principle of state sovereignty over their natural resources, the principle of most favored nation in foreign trade.

As an example of a combination of general and specific principles is a system of principles, declared by the United Nations:

- sovereign equality of all member states;
- conscientious performance of the accepted the responsibilities under the Charter;
- settlement of international disputes by peaceful means;
- restraint in international relations from the threat or use of force against another state;
- provision of all kinds of assistance to the United Nations in all its actions applied in accordance with this principles.

Among these principles, the first four are general and fifth - special, because it applies only to members of the UN and not necessarily to other states.

Most clearly the **general principles** of international relations are set out in Final Act of the Conference on Security and Cooperation in Europe (signed by 35 European and North American countries in Helsinki in 1975). They are known as "ten principles" governing international relations in the world and cover important areas of foreign activities of countries. Those principles are:

1. Sovereign equality, respect for the rights inherent in sovereignty
2. Nonuse of force or threat of force
3. Inviolability of borders
4. The territorial integrity of states
5. Peaceful settlement of disputes
6. Non-interference in the internal affairs of other states
7. Respect for the human rights and fundamental freedoms, including freedom of thought, conscience, religion and beliefs
8. Equality of nations and their right to self-determination
9. Cooperation between states
10. Conscientious fulfillment of international legal obligations

As we can see, the "Ten Principles" included four general principles formulated by the United Nations. General principles of the Helsinki Final Act are used in the activities of many international organizations and are reproduced in their statutes, programs, and agreements. Thus, the Charter of the CIS includes all ten principles as a legal basis of the organization. Those or other principles in different formulations are serving as a model for policy implementation of almost all regional intergovernmental organizations. The most popular is the first principle: "Sovereign equality, respect for the rights inherent in sovereignty." So, the main principle of the Latin American Economic System (SELA) is: a "sovereign equality and independence of states"; of Asia-Pacific Economic Cooperation (APEC) - "equal partnership"; of Organization of African Unity (OAU) - "sovereign equality of all member states"; of Economic Community of West African States (ECOWAS) - "Equality and independence of member states and the like.

Special principles are the basis for the action of organization in a particular area, often inherent only to this organization. For example, the World Trade Organization (WTO) declares the following principles:

- Trade without discrimination (principle of most favored nation)
- Extended access to markets
- Promotion of fair competition
- Protection through tariffs
- Encouraging of development and economic reforms

The first and last of these principles are applied and by some other organizations; the rest are specific for the WTO.

Special principles can also be used in regional integration associations when it is necessary to emphasize the specificity of the region. For example, among the

principles underlying the activities of Latin American Integration Association (LAAI) are:

- pluralism in political and economic matters
- convergence of agreements leading to the creation of a common market in Latin America
- differential treatment on the basis of three categories of member countries (developed, medium development countries and least developed countries)

Organization of African Unity (OAU) declared, among others, also such principles:

- strong condemnation of political assassinations and subversion from neighboring States or from any other country;
- struggle for the complete liberation of still dependent African territories;
- adherence to policy of nonalignment.

These principles reflect the most painful aspects of the political situation that characterize the African continent today.

The activity of Economic Community of West African States is based, in particular on the following principles:

- promotion of democratic system;
- balanced and equitable distribution of burdens and benefits.

One of the principles of functioning of Islamic Development Bank (IDB) is that it does not accept the interest for the loan, as this would be inconsistent with the principles of sharia; bank costs are covered by income from investments.

Thus, international organizations are basing their activities on the rules and principles of international law. They acquire a certain legal capacity and are taking part in the creation and application of international standards. The international organization has legal status, can participate in the diplomatic relations.

The international organization has certain privileges and immunities. Its officials have the right to fulfill their direct duties on the territory of any Member State. The property of organization may not be nationalized, confiscated by the government of the country where it is located. The governing persons and employees of organization in their actions are responsible only before the organization. Their activities are aimed primarily for the benefit of the organization, and they should ignore intervention of government of their country if it is contrary to the interests of the organization. Privileges and Immunities of the organizations are approved by number of international decisions and regulations, e.g. by the Convention on the Privileges and Immunities of the United Nations in 1946.

Regulation of immunity implies that the organization is not subject to tax from the government of the country, where its offices are located. The government has no right to demand documentation of organizations for review or deletion. It also cannot prosecute concerning the organization, using the rules of national law; if any person (physical or legal) appeals to the court of his country against the organization, the court have to refuse the acceptance of the claim.

As an example can be cited the legal status of the UN headquarters in New York. Property of organization is freed from the direct taxation by the respective USA authorities; social and legal relations of headquarters staff are regulated by internal rules of organization and intervening of the national US legislature is possible only with the agreement of the UN leadership.

Acquiring certain rights, international organization also is responsible for its activities in general or for the actions of its individual employees. If while performing its functions, organization unintentionally may cause damage to any country, it must compensate these damages. So, often, military operations of the United Nations or NATO forces are accompanied by environmental problems or even by material damage to the civilian population. In this case, the organization provides costs for compensation of losses.

In connection with violation of conduct norms by individual members of organizations international law provides sanctions against violators. The most frequent violations can be grouped as follows: failure to comply with resolutions of organization; deviations in their actions from the principles recorded in the charter of the organization; non-fulfillment of their financial obligations; aggression against another state.

Depending on the severity of the violations, the following **sanctions** are applied:

- termination of the right to vote in the bodies of organization ;
- deprivation of technical and financial assistance;
- temporary suspension of membership in the organization;
- exclusion from the organization;
- use of armed forces against the offender.

2.2. The organizational and functional structure of international organizations

Each organization defines its objectives, the competences, functions, organizational structure, and mechanisms of decision-making and of their implementation.

First of all, what establishes an organization - is the definition the **objectives** of its activities. If the goals are clearly defined, the ways of their achievements really grounded, and then the organization will function effectively (under different circumstances). But if main goal is formulated vaguely or if are too many goals and they do not match to the reality, it will hinder activity of organization or, at all it will become unviable. One can assert that the League of Nations set for itself an unattainable goal: to preserve peace in circumstances where the disputes between its main participants reached its peak, and fascist ideology ruled out all reasonable compromises. On the contrary, the main objective, declared by UN - "support of international peace and security by taking effective collective measures of peaceful settlement of disputes"- proved to be achievable. Despite a series of local conflicts during the second half of the twentieth century, mankind managed to prevent a

new world war. This happened because leaders of the most powerful countries realized the fact that the modern world war will not reveal the winner.

Usually objectives of international organizations are divided into main and subordinate.

The main objective (goal) of organization determines, what for, in fact, its founders decided to unite. Often the main objective is formulated clearly. For example, here how the International Bank for Reconstruction and Development (IBRD) declares it in the following way - "Promoting reconstruction and development of territories of Member States by encouraging of investments for industrial purposes". Here is stated not only about target, but also about the way to achieve it. It also happens that the main goal is formulated in general terms, embracing a wide range of international relations. So e.g., the main objective of the International Development Association (IDA) is "to promote economic development"; of the World Trade Organization (WTO) - "strengthening of the world economy "; of the Asia-Pacific Economic Cooperation (APEC) - "support of economic growth and development for the common good of all peoples of Asia-Pacific region and thereby promote the growth and development of the world economy".

Subordinated goals specify the main goal more clearly defining the scope of the organization. For example, WTO after the declaration of the main goal, then formulates target, which, in fact, reveals its essence "directing efforts to expand trade, increase investment, employment and increase incomes level worldwide"; therefore, determining that trade is the main activity area of the organization. Among the objectives of IDA is this: "raising living standards in developing countries", and really, IDA in its operations is focused primarily on this group of countries.

The main goal of International Monetary Fund (IMF) is "support of the general payment system". Further, are stated targets that specify the essence of the main goal:

- observation of the state of international monetary system;
- promoting the stability of exchange rates and streamlining of currency relationships;
- providing of short- and medium-term loans and others.

Similarly, the principal purpose of European Investment Bank (EIB) is "to promote balanced and sustainable development of the common market in the interests of the Community", and then is specified the mechanism of achieving it: "by providing loans and guarantees on a commercial basis in order to improve financing in all sectors».

The main and subordinate goals of organization not always can be differentiated. It happens that objectives, proclaimed by organization, in terms of their content are equal, have the same rank. For example, the objectives of the European Union are:

- creation of close union among the peoples of Europe;
- contributing to sustainable and shared economic and social progress;

- strengthening of positions of the European Union on the international stage by the realization of common foreign policy.

Here we see three, though connected, but distinct areas: internal policy (within the Union), socio-economic sphere and foreign policy.

The Organization of African Unity (OAU) declares the following objectives:

- promotion of unity and solidarity of African countries;
- coordination of efforts to improve the living standards of African peoples;
- protection of sovereignty, territorial integrity and independence of the peoples of Africa;
- elimination of all forms of colonialism in Africa.

Here too each goal reflects specific sphere and all are equally important.

The goals of the international organization and the principles of its activities are recorded in the **Charter**, which is its foundational document. All members of organization should follow in their actions the main provisions of the Charter.

Objectives of organizations in the main define the scope of its competence.

Competence of the organization - is an object, the area of objective activity, the range of issues, which it will be engaged in. In addition, the concept of competence includes a set of powers that are given to organization to perform its functions.

Depending on the range of issues that organizations deal with, they are divided into organizations of general competence and organizations of special competence.

Organizations of **general competence** at once are responsible for a large number of areas of international activities - economic, political, cultural, environmental, social, and more. Such organizations includes the United Nations, almost all the regional organizations of integration character, OECD and others.

So, in the UN activities there are almost no sphere of international relations, which would not be in the sphere of its competences. The scope of competences of the Black Sea Economic Cooperation include: transport and communication; computer science; standardization and certification of products; energy; mining; tourism; agriculture; healthcare; science and technology. We can see that the range of competences is wide, although absent, for example, such areas as foreign policy, defense, monetary policy. But when the CIS was created, it was implied that will be cooperation in wider and more important fields: foreign policy, defense, economic and financial policy, ecology and culture.

Organizations of **special competency** have less range and more specific areas of activity. For example, the World Trade Organization (WTO) carries out all its activities in the field of international trade. Competence of World Bank is limited to providing long-term loans and financing of development programs mainly for poor countries; the competence of IMF - to regulate the international monetary system and providing short-term loans.

In the development of international organizations there is a tendency to expand the limits of their competence up to the appearance of **supranational traits** in their functional structure [5, pp. 74 - 81]. This means that a Member State voluntarily transfers part of its sovereign rights to the organization. Most clearly it

manifests in the resolutions of the Security Council, which makes decisions on security issues of entire regions. Another example is the policy of the European Union; there are many functions transferred by states into the competence of organizational bodies: customs policy, monetary policy, migration service, pricing, etc. More and more of supranational competence acquires International Monetary Fund. He actually forces governments to implement a certain monetary policy, requires full information about present economic situation, and can impose sanctions (in the form of suspension of funding the country).

Accordingly to the goals and competences of organization are determined its functions. **The functions** of the international organization are the external manifestation of its activities on implementation of its tasks [6, p. 179]. The organization can implement its functions within a particular competence. Functions are divided into the principal, regulative, coordinative, controlling, and operational.

The **main function** consists in determination of conformity of the interests of participants of organization to its objectives. This function is closely linked to the content of competences of organization. Here is how, for example, is formulated the main function of UNIDO: "to be the global forum on industrial development." The main function of the International Chamber of Commerce (ICC) is "to draw attention to business problems", of the Inter-American Development Bank (IDB) - "promoting investment of state and private capital in Latin America for development."

The **regulatory functions** consist in the development of conduct standards of participants, of methods and forms to achieve the objectives and to regulate relations with other subjects of international law. The essence of the coordinating function is to align the interests and actions of the participants of organization. This is particularly important for the organization of a universal character, with wide spheres of activity, with a large number of members and a variety of purposes. Such an organization is primarily the UN. In its structure even was formed a special body - the Economic and Social Council (ECOSOC) to coordinate economic and social activities of UN members and its agencies as well as other organizations.

Operational functions consist in performance of concrete work of organization in accordance with its objectives and competence. For example, among the operational functions of UNCTAD are such as discussion of trade and developmental issues at the intergovernmental level; negotiation and achievement of consensus; technical cooperation.

Controlling function consists in monitoring the implementation of decisions of organization and the developments of situation in the field of its activities (monitoring). So, the control function of UNCTAD is formulated as follows: "monitoring the implementation of decisions and taking of the following measures".

Let us consider types of functions on the example the IMF. Here is its functional structure [7, p. 93]:

- support of the general payment system

- observations on the state of the international monetary system
- promoting stability of the exchange rates and regulating currency relations
- provision of short-term and medium-term loans
- replenish of foreign exchange reserves of member countries by allocating

Special Drawing Rights

- providing consultations.

Among these functions the first one is the main, the second one - controlling, third one - regulating, others - operational.

The functional structure of the organization is closely related to its **organizational structure**. Separate bodies are formed for those or other functions. Every structural unit has a clearly defined competence of its activities. Hierarchy and subordination characterize the organizational structure, it includes higher bodies, executive, auxiliary and so on.

Classification of bodies of the international organization can be carried out on different criteria. Most often is applied a functional principle. According to it, the bodies are divided into the supreme, executive, auxiliary, and organs of administrative control.

The supreme (main) bodies are responsible for the most important areas of activities of the organization, makes decisions on critical issues, and these decisions are final. The supreme body determines the general policy of the organization, its principles; it considers budgetary and fiscal issues; it has the right to review and supplement the charter; makes decisions on admission of new members to the organization or exclusion from its membership. But the higher bodies do not perform the operational functions. Most of the supreme bodies include the representatives of all states, and in such case organ is called a plenary.

The supreme body of the UN is General Assembly, which is composed of all member states. It discusses any issues within the competence of the UN, provides appropriate recommendations, and determines the policy of UN, its program and main direction of its activities, approves the budget. In the European Union the supreme body is the European Council, which includes all heads of state or government of member states. The Council determines the main strategic directions of activities of EU. Similar functions have the OECD Council. The supreme body of CIS is the Council of heads of state, which consists of the member countries presidents. It makes the decision on the main issues of international cooperation. These issues represent the most acute problems, from the resolution of which depends the very existence of the CIS. These include, in particular, determination of foreign policy towards third countries, formation of a single economic space, participation in collective armed groupings and so on.

The **executive bodies** implement the decisions and resolutions taken by supreme body and some other organs. They carry out operational functions and (with few exceptions) are not engaged in legislative activities. The executive bodies of various organizations have specific names and composition. For example, such body in the World Bank and the IMF is the Board of Executive Directors (Executive Board). In International Development Association,

International Finance Corporation and Multilateral Investment Guarantee Agency, it is called: Executive Directorate or simply Directorate. In these organizations executive body consists not of representatives of all states (as in the supreme body), but of a few elected or appointed persons. For example, the IMF Executive Board consists of 24 Executive Directors. In this case we are dealing with the **organs with limited composition**. Most often, in such organs are presented the most powerful and influential countries; along with this, some part of representatives are elected (or appointed) on a principle of "geographical equity", in order to keep the balance between different continents, regions, socio-political groups of countries.

Executive body not necessarily consist of a limited number of members, sometimes it includes representatives of all Member States. For example, the executive body of the OSCE is the Council of Foreign Ministers, which consists of respective ministers of all countries. In the European Union executive functions belong to the Council of the European Union and European Commission. The Council of Ministers is represented by all member countries, but their composition varies depending on the range of issues discussed (this - either the ministers for foreign affairs or economics or finance, etc.). In the CIS the permanent executive body is the Coordination and Advisory Committee; it includes two representatives from each member state. In addition, to a certain extent the executive and coordinating functions are carried out by the Council of the Heads of Governments and Foreign Affairs Council.

The role of the executive bodies in the activity of international organizations is considerable. Despite the fact that in hierarchical pyramid they are subordinated to a higher authority, their weight is sometimes at least not lower. The fact is that the plenary bodies usually take the decisions made and recommended by the executive organs [5, p. 63].

Administrative authorities also deal with the current functions. But their rank is inferior to the rank of executive organs. Administrative authorities are engaged in everyday organizational work, which is aimed primarily on internal affairs of the organization. Most often these functions are performed by the **Secretariat**. Its scope of competencies includes the preparation of documentation for conferences and meetings; organization and conduct of negotiations between the organization and other subjects of international law; organization of technical assistance to member states; logistical support for the organization.

In general, the functions of Secretariat are somewhat broader than merely administrative. Often it is a organ with a very branched area of competence. Thus, the Secretariat of United Nations Industrial Development Organization (UNIDO) consists of six divisions: of government programs and funding; of research and publications; of human resources and entrepreneurship; of industry and protection of environment; investment and of technological development; of administrative. Here the administrative function is only one among others. The Secretariat of Organization for Economic Co-operation and Development (OECD) consists of 13

directorates, which include the administrative. The Secretariat of OSCE among the four departments include also administrative-budgetary.

Although the Secretariat occupies a subordinate position in the organizational structure, often a person who is at the top of the hierarchical pyramid of organization and is its main representative in international relations heads it. In the United Nations, the **General Secretary** carries out this role. But it must be noted that despite its indisputable authority, the General Secretariat in their actions is accountable to the General Assembly. The post of General Secretary have also some other organizations for example the World Tourism Organization, OECD, OPEC and others. But the CIS has not such a post.

As a specific **controlling bodies** act the international courts. They not only resolve disputes between members of organizations but also monitor the observance of the norms and principles of conduct written in the Statute. Such body, in particular, is the International Court of Justice of the United Nations, which gives consultations and makes conclusions on important legal issues. Courts also have many regional organizations: OSCE (the Court of Conciliation and Arbitration), the EU (European Court of Justice), CIS (Economic Court), and others. Unlike most other bodies where decisions are mainly advisory in nature, decisions of international courts are binding.

The rest of the international organizations is called **auxiliary**. Each such organ performs any one clearly defined function. The name "auxiliary" - is conditional, because often function performed by the body is important. But these authorities are not involved in legislative activity, in their actions they are subordinated to the highest or even to the executive bodies. For example, to the UN General Assembly are subordinated such bodies as the UN Centre for Human Settlements (HABITAT), United Nations Conference on Trade and Development (UNCTAD) and others. Under jurisdiction of United Nations Economic and Social Council (ECOSOC) are functional and regional commissions, programs, and specialized institutions. Most of them are, essentially, organizations of the UN system (IMF, WB, UNESCO, etc.), though are called as organs.

In organizations with a narrower sphere of activity (compared to UN) subsidiary bodies are distinguished more clearly. Here are subsidiary bodies of the World Trade Organization (WTO): the Council for Trade in Goods; The Council for Trade in Services; Council for Trade in intellectual property; The Committee on Trade and Environment; The Committee on Budget, Finance and administrative issues.

From the standpoint of functional approach to the bodies' classification, let us consider, as an example, the organizational structure of the International Monetary Fund. It consists of the following elements:

1. The Board of Governors;
2. The Executive Board;
3. The Committee on Balance of Payments Statistics;
4. Managing Director

Here, the first item is the supreme body, then - the executive, even further - auxiliary and finally - administrative.

Besides the functional criteria, there are also other criteria for the classification of international organizations. On the basis of nature of the membership, are distinguished: intergovernmental bodies, parliamentary bodies, bodies consisting of persons in their personal qualities, and authorities, consisting of national committees and groups.

The most common type of bodies in accordance to this classification is an **intergovernmental body**. They consist of persons appointed by the governments of the member states. This can be heads of states, heads of governments, ministers, and diplomats. Intergovernmental bodies are formed in almost all intergovernmental organizations, including economic ones (IGEOs).

Inter-parliamentary bodies are made up of deputies who are elected by the population of member states during the general direct elections (European Parliament) or appointed by national parliaments. Usually inter-parliamentary bodies are inherent to regional organizations. Thus, the European Union has the European Parliament (EP), the Council of Europe - Parliamentary Assembly of the Council of Europe (PACE), CIS – Inter-parliamentary Assembly of Member Nations of the Commonwealth of Independent States (IPA CIS), the OSCE - Parliamentary Assembly of the Organization for Security and Co-operation in Europe (OSCE PA), CARICOM - Assembly of Caribbean Community Parliamentarians (ACCP), ASEAN - ASEAN Inter-Parliamentary Assembly (AIPA) and so on.

Inter-parliamentary bodies make decisions usually of a recommendatory nature; to some extent, they perform the control functions of executive authority's activities. European Parliament EU has somewhat broader powers; it has the right to make regulations and directives.

The peculiarity of inter-parliamentary bodies is that MPs there are rallying not by the countries, but by the party affiliation.

The organs consisting of persons in their special quality are characteristic mostly for non-governmental organizations. Such bodies are made up of qualified professionals, scientists, lawyers, economists, cultural workers and others. For example, the bodies of Club of Rome are composed out of leading world scientists. But also in international organizations are bodies which consist mostly not of official representatives of states but out of individuals hired on a contract basis or invited as qualified professionals. We have already mentioned that tens of thousands of professionals in the UN Secretariat - are nongovernmental employees. In the United Nations Environment Programme (UNEP), most organs are formed from experts in the field of environmental protection.

The International Finance Corporation (IFC - member of the World Bank Group) has two bodies consisting of persons in their special quality: Banking Advisory Commission (BAC) and Business Advisory Committee. The first body consists of 10 heads of leading financial institutions; the second - out of leading

manufacturers, bankers and government officials who have considerable experience in matters of business.

The organs out of the committees and groups are also typical for most nongovernmental organizations. They consist of National Committees of countries (for example, national Red Cross centers), groups, corporations, companies, firms and national business organizations. A striking example of this type of the organizations is organizational structure of the International Chamber of Commerce (ICC). The supreme governing body of ICC is the World Council, which is composed of representatives appointed by the national committees and groups, by chambers of commerce and industry of states. The main requirement - that the goals of local organizations were not political. Another ICC body - World Industry Council for the Environment - consists of 90 senior executives of large corporations.

An important element of the functioning of international organizations is the **decision-making** procedure. Decisions can be taken by simple majority, qualified majority and by consensus.

To make a decision by a **simple majority** it is sufficient of gaining 50% + 1 vote. This procedure is usually applied to make decisions of a general character, such as approving of agenda of an assembly or conference.

Important decisions, which may cause controversy, are voting by **qualified majority**; in this case for the adoption of decision it is necessary at least two thirds votes of the members.

Latterly more and more decisions are approving **by consensus**. This procedure involves the prior coordination of the interests of members and achievement of common agreement; resolution is adopted without a vote.

Voting procedure in international organizations has its peculiarities. At plenary voting each delegation has **one vote**, regardless of political and economic power of the member state; by this is achieved democratic action of organization. But in some bodies, especially in those concerned with financial and credit resources, is used a **balanced system** of decision-making. Each country has its voting quota in accordance to its economic potential and contribution to the common fund of organization.

Chapter 3. The United Nations and international economic cooperation

3.1. The objectives and principles of the UNs activity

United Nations - UN (United Nations Organization - UNO) was established in 1945. The date of ratification of its Charter - October 24 - is celebrated as UN Day. 51 countries founded it. Nowadays the UN includes 193 member countries of the 234 countries of the world. Other countries are not members of United Nations mainly because they are still not completely independent (for example, Faroe Islands, Norfolk and others.).

Some states not joined the UN for reasons of principle, since, according to their governments, this may violate their constitutional statutes of nonalignment. These include the Vatican and Switzerland; but they have at the UN its observers. Besides them, the observer status is granted to some organizations (the European Union, the Organization of African Unity, Organization of the Islamic Conference, the International Committee of the Red Cross, etc.).

As member of the United Nations can be accepted any peace-loving state which is able and willing to carry out the obligations contained in the UN Charter. New members are accepted by the decision of the General Assembly on recommendation of the Security Council.

The official languages of the UN are: Arabic, Chinese, English, French, Russian, and Spanish; as a working languages used in day-to-day work are English and French.

According to typological classification, UN is global, universal, multifunctional, intergovernmental organization.

As already mentioned in earlier chapters, the main purpose of the formation of the UN was to preserve world peace and the prevention of military conflicts. But gradually the field of its activities was expanding, covering other areas of international political cooperation, economic and social relations, culture, science, the environment and so on. One can say with certainty that there are no such areas in international relations, which would be out of sight of the UN. As it proved to be the most dynamic expansion of the powers of the UN takes place namely in the socio-economic sphere.

The overwhelming majority of programs, commissions, specialized institutions, funds are aimed at regulation of economic cooperation among its members. Among the specialized institutions, there are powerful organizations that undoubtedly govern today the most important areas of the international economy - IMF, World Bank, World Trade Organization. Within the structure of the UN are the bodies governing international economic relations at the branch level (UNIDO, FAO, ICAO and others) and those that coordinate cooperation among countries at the regional level (regional commissions of ECOSOC).

The more develops the international division of labor, the closer and diverse are international economic relations, the harder and more ramified is the UN. The new directions of activities emerge, new bodies, programs, funds. UN promptly

reacts to political and economic developments taking place in the world. For example, with the collapse of the colonial system emerged a large group of developing countries. These countries desperately need economic assistance, and UN took over the main task of solving this problem. In 1960 was established International Development Association (IDA) with the main purpose of crediting this particular group of countries. In the 60th years was founded United Nations Development Programme (UNDP) which also aims primarily to help developing countries, United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO) with similar priorities.

The UN activity is accompanied by significant expenditures, so to support its functioning organization creates the relevant funds and annually approves the budget. The contribution of each country corresponds to its economic power. By size of contribution to the regular budget of the United Nations in 2016 were leading the following 10 member states:

Contributions by Member States to the United Nations regular budget for the year 2016 (United States dollars)

<i>Member State</i>	<i>Percentage</i>	<i>Net contributions</i>
USA	22.000	594 041 382
Japan	10.833	236 980 842
Germany	7.141	156 412 252
France	5.593	118 955 570
United Kingdom of Great Britain and Northern Ireland	5.179	109 260 899
China	5.148	193 917 898
Italy	4.448	91 756 632
Canada	2.984	71 510 438
Spain	2.973	59 808 284
Brazil	2.934	93 592 744

Georgia contributed to the United Nations regular budget for the year 2016 199 002 US dollars (0.007%) [8].

Since the UN is a universal, global organization, the objectives of its activities are wide-ranging and general in character. As already mentioned the

initial purpose of UN was preserving peace all over the world, but gradually the range of purposes has expanded. Now the goals of organization cover most important areas and problems of international relations:

- support of international peace and security by taking effective collective measures and peaceful settlement of disputes;
- development of friendly relations among nations based on respect for the principles of equality and self-determination of peoples;
- providing of international cooperation in solution of international economic, social, cultural and humanitarian problems, promotion of respect for human rights for all people without any exception;
- transformation of the UN into the center for concerted efforts to achieve these goals.

We see that all the objectives are interconnected and logically follow from each another. The sphere of economic relations is reflected in the third block of purposes. Socio-economic objectives are formulated very briefly, but they branch out and specified in the goals structure of the separate bodies and organizations of the UN system.

The **principles** of the UN logically connected with its objectives. They are a model, a standard for international relations of any country and comply with the ideas of justice and humanity, accepted in human communication. Here are the main principles:

- sovereign equality of all members;
- conscientious fulfillment of obligations under the Charter;
- settlement of international disputes by peaceful means in such a way as to not cause a threat to international peace, security and justice;
- restraint from the threat or use of force against another state in international relations;
- providing all kinds of assistance to Organization in all its actions which applies according to these principles.

At the beginning of the new millennium the United Nations sets eight Millennium Development Goals (MDGs) [9, p. 4-7]:

- *Eradicate extreme poverty and hunger.* Extreme poverty has declined significantly over the last two decades. In 1990, nearly half of the population in the developing world lived on less than \$1.25 a day; that proportion dropped to 14 per cent in 2015. Globally, the number of people living in extreme poverty has declined by more than half, falling from 1.9 billion in 1990 to 836 million in 2015. The proportion of undernourished people in the developing regions has fallen by almost half since 1990, from 23.3 per cent in 1990–1992 to 12.9 per cent in 2014–2016;

- *Achieve universal primary education.* The number of out-of-school children of primary school age worldwide has fallen by almost half, to an estimated 57 million in 2015, down from 100 million in 2000. The literacy rate among youth aged 15 to 24 has increased globally from 83 per cent to 91 per cent between 1990 and 2015. The gap between women and men has narrowed;

- *Promote gender equality and empower women.* In Southern Asia, only 74 girls were enrolled in primary school for every 100 boys in 1990. Today, 103 girls are enrolled for every 100 boys. Between 1991 and 2015, the proportion of women in vulnerable employment as a share of total female employment has declined 13 percentage points. In contrast, vulnerable employment among men fell by 9 percentage points. Women have gained ground in parliamentary representation in nearly 90 per cent of the 174 countries. The average proportion of women in parliament has nearly doubled during the same period. Yet still only one in five members are women;

- *Reduce child mortality.* The global under-five mortality rate has declined by more than half, dropping from 90 to 43 deaths per 1,000 live births between 1990 and 2015. Despite population growth in the developing regions, the number of deaths of children under five has declined from 12.7 million in 1990 to almost 6 million in 2015 globally. Since the early 1990s, the rate of reduction of under-five mortality has more than tripled globally;

- *Improve maternal health.* Since 1990, the maternal mortality ratio has declined by 45 per cent worldwide, and most of the reduction has occurred since 2000. In Southern Asia, the maternal mortality ratio declined by 64 per cent between 1990 and 2013, and in sub-Saharan Africa it fell by 49 per cent;

- *Combat HIV/AIDS, malaria and other diseases.* New HIV infections fell by approximately 40 per cent between 2000 and 2013, from an estimated 3.5 million cases to 2.1 million. By June 2014, 13.6 million people living with HIV were receiving antiretroviral therapy (ART) globally, an immense increase from just 800,000 in 2003. ART averted 7.6 million deaths from AIDS between 1995 and 2013. Over 6.2 million malaria deaths have been averted between 2000 and 2015, primarily of children under five years of age in sub-Saharan Africa;

- *Ensure environmental sustainability.* Ozone-depleting substances have been virtually eliminated since 1990, and the ozone layer is expected to recover by the middle of this century. Terrestrial and marine protected areas in many regions have increased substantially since 1990. In Latin America and the Caribbean, coverage of terrestrial protected areas rose from 8.8 per cent to 23.4 per cent between 1990 and 2014. In 2015, 91 per cent of the global population is using an improved drinking water source, compared to 76 per cent in 1990. The proportion of urban population living in slums in the developing regions fell from approximately 39.4 per cent in 2000 to 29.7 per cent in 2014;

- *Develop a global partnership for development.* Official development assistance from developed countries increased by 66 per cent in real terms between 2000 and 2014, reaching \$135.2 billion. In 2014, 79 per cent of imports from developing to developed countries were admitted duty free, up from 65 per cent in 2000. As of 2015, 95 per cent of the world's population is covered by a mobile-cellular signal. Internet penetration has grown from just over 6 per cent of the world's population in 2000 to 43 per cent in 2015. As a result, 3.2 billion people are linked to a global network of content and applications.

3.2. The organizational and functional structure of the UN

UN has a highly branched organizational structure, which consists of a large number of governing bodies, commissions, committees, organizations, programs, conference centers, and the like. But the leading role in the Organization belongs to principal bodies. Their six:

- General Assembly.
- Security Council.
- Economic and Social Council (ECOSOC).
- International Court of Justice.
- Secretariat.
- Trusteeship Council.

To the General Assembly and ECOSOC organizationally subordinated most of minor and almost all the specialized institutions of the UN, as will be showed below. All agencies, except the Court are located in New York, the International Court of Justice has its headquarters in The Hague (Netherlands). Let us consider the basic functions of the main organs.

1. The General Assembly (GA) is the supreme UN organ, its main deliberative assembly. It is a kind of a world parliament, which has representatives from all UN member states, that is from almost all countries of the world. GA is the most democratic organ of the UN, since each representative has one vote, regardless the size of the country, its economic power and political influence. Important decisions are made at GA by a qualified majority of two thirds of the votes, and simple decisions - by a simple majority.

On the whole, resolutions of General Assembly are non-compulsory, have recommendatory character but in practice they are perceived to be obligatory to implementation by all UN members. Even in the Charter is provided a positive attitude of members to the GA resolutions. In addition, in the competence of the Assembly are decisions which are binding: acceptance of new members or exclusion from UN, election of the UN Secretary General, approval of UN budget, the election of non-permanent members of the Security Council, the election of members of the Economic and Social Council, Trusteeship Council, as well as some administrative decisions, technical issues.

The main functions of the General Assembly are:

- strengthening of international peace;
- easing of international tension;
- arms reduction and disarmament;
- creation of conditions for the friendly relations between states.

The competence of the General Assembly includes discussion of any issue within the limits the UN Charter. GA examines the general principles of cooperation in the sphere of international security, the problems of cooperation of states in political, economic, environmental, scientific, and technical fields. The General Assembly adopted a number of resolutions on issues extremely important for humankind.

These include, in particular: The Universal Declaration of Human Rights, the Declaration on the Elimination of All Forms of Racial discrimination; Declaration on the prohibition of the use of nuclear and thermo-nuclear weapons; Declaration on International Cooperation for Disarmament; The Declaration on the Granting of Independence to Colonial Countries. The implementation of these decisions contributed to the strengthening of peace in the world, humanizing of international relations which became more just.

Being the kind of forum of nations General Assembly allows member states publically express their views on any issue, compare different approaches to their assessment, and to find the commonalities of positions and a compromise solution.

The regular sessions of the General Assembly occur in period September-December each year. In addition to participation in plenary sessions representatives are working in the main committees of GA. There are six committees:

First Committee - Disarmament and International Security issues;

Second Committee - Economic and Financial issues;

Third Committee – Social, Humanitarian, and Cultural issues;

Fourth Committee - Special Political and Decolonization issues;

Fifth Committee - Administrative and Budgetary issues;

Sixth Committee - Legal issues

To the General Assembly are organizationally subordinated two independent organizations - International Atomic Energy Agency (IAEA) and the United Nations World Tourism Organization (UNWTO). In addition, GA together with ECOSOC also regulates the functioning of a number of institutions. They will be discussed further.

2. The Security Council has the primary responsibility for maintenance of international peace and security. It is made up of fifteen member states, consisting of five permanent members (China, France, Russia, United Kingdom, and US) and the rest ten - non-permanent members elected by the General Assembly for two-year term on a rotational basis. The Security Council is managed by the chairman, who is reelected monthly.

Non-permanent members are elected according to the principle: five from Asia and Africa, two - from Latin America, two - from Western Europe and one from Eastern Europe. To make a decision it is necessary that for it voted at least 9 members. But the permanent members have the right to "veto" and if even one of them voted against - the resolution is not adopted. Such principle of a voting was adopted from the very beginning of the formation of the United Nations, when abovementioned five countries (Instead of Russia then was the USSR) were all decisive force in international affairs. So, if all the permanent members agree with any decision (despite the divergence of interests on many other issues), it will be implemented without serious obstacles. In general, this practice justified itself; may be namely this principle of making the most important decisions has prevented the UN to follow the sad fate of the League of Nations, which collapsed due to failure of major powers to agree on their decisions. In recent years appear suggestions of politicians on expansion of number of permanent members in order

the Security Council conformed to the new realities. At the end of the twentieth century, significantly increased economic and political role of Japan, Germany and India, Brazil and some other new industrialized countries; they are contenders for replenishment of the number of permanent members of the Council.

Security Council decisions are obligatory for all UN members and not are subject to appeal in other organs. Sometimes, when decision is taken with regard to a very complex case, the Council may address the International Court of Justice for legal advice.

The main function of the Security Council is to prevent or curb armed conflicts between countries. For this purpose has been developed a special mechanism, a system of measures that consist of different levels of action, depending on the stage of the conflict. These include: preventive diplomacy; condemnation of aggressive actions; mediation to resolve the conflict; sending UN observers to the zone of conflict; introduction of peacekeeping forces to disengagement of the parties at war or curbing the aggressor; economic sanctions.

The most humane (and often - the most effective) method is the preventive diplomacy. It includes a political and diplomatic measures aimed at preventing armed confrontation between conflicting parties. The Council acts as a friendly intermediary between warring countries. Often mediation mission on behalf of Security Council performs General Secretary. Preventive measures also include, when appropriate, establishment of demilitarized zones on both sides of the border between the conflicting countries. Preventive diplomacy is accompanied by encouragement of the parties to peace, to negotiations, to peaceful settlement of the conflict.

If preventive actions failed to produce positive results and the fighting began again, the Security Council makes a **statement of condemnation** of both or one of the parties. The condemnation should not be regarded as merely declaration of moral character. It is a warning about actions of UN that would follow.

For a comprehensive and deep evaluation of essence of conflict and forms of its manifestation, Security Council sends its observers to the conflict zone. These are civilian and military experts, sometimes even small military group (but without powers to military action), they are called "blue berets". Observers render a final decision on further measures to curbing conflict.

In case of impossibility to resolve the conflict by peaceful means, the Security Council resorts to **armed intervention**. Into the conflict zone are sent the armed groups of the UN («blue helmets»). They either form a zone that divides troops of opposite sides, or are engaged in military operations on the side of one of the parties. As an example of usage of "buffer" forces can be regarded the usage of UN peacekeeping forces in southern Lebanon for separation of Palestinian military groups "Hezbollah" and of Israeli troops. As for the operations against one of the conflicting parties, the examples of recent times are the military actions against Iraq (in Iraq-Kuwait war) and against Yugoslavia (a conflict between Serbs and Albanians in Kosovo).

It is worth noting that the Security Council nowadays as a rule delegates military operations to a group of countries (most often the United States and Great Britain) or an international military organization (NATO, Western European Union). Such a policy is justified by a lack of funds in the United Nations to arm its own forces. But this practice has obvious flaws. Point is that, unlike the UN, international military alliances cannot act from objective positions. In the examples above, the United States and Great Britain had a biased attitude against the Iraqi government yet before the conflict. Acting on the side of the Albanians in Kosovo, NATO's political leaders did not conceal that their main goal was to remove the Yugoslav president. Therefore, in such situations, it is difficult to expect a fair resolution of the conflict, even taking into account that the UN's motivation regarding the deployment of the armed forces could be justified. In addition, the replacement of the troops of the United Nations by the troops of organizations not subordinate to the UN, contradicts the Charter of the Organization [6, p.197].

One of the measures used in case of impossibility to resolve the conflict by peaceful means are sanctions, which are not connected with the military operations. First, it is economic sanctions. If the government that violates international law, does not listen to demands of the UN Security Council may decide to restrict economic relations with the country, elimination of trade benefits, termination of lending and funding, deprivation of technical assistance, etc. In some cases is introduced full economic embargo on relations with the country.

Such measures were taken once against Southern Rhodesia and the South African Republic in connection with the policy of apartheid, later - against Libya, Iraq, Yugoslavia. In the first two cases, the policy of sanctions justified itself and contributed to the abolition of racist regimes in these African countries. In general, military operations and sanctions are an extreme and ambiguous measure. First of all, this leads to the suffering of the country's peaceful population, because such actions are accompanied by the destruction of not only military but also civilian objects and leads to the death of civilians and a sharp decline in their standard of living. Also suffer the other countries with economic interests in the area of conflict.

3. The Economic and Social Council (ECOSOC) is the main coordinating body of the United Nations in the field of economics, social relations, environment, health, culture, science and education. The most important economic and social problems facing the world community are considered and resolved in ECOSOC and in many of its subdivisions. It coordinates the activities of such international giants as the IMF, World Bank, World Trade Organization and other specialized international organizations. Through ECOSOC are coordinating their relations with the other agencies and bodies of UN also regional economic organizations (EU, CIS, NAFTA, etc.) as well as non-governmental international economic organizations (NGEO). Economic and Social Council has turned into forum where are compared and are coordinated standpoints of representatives of world countries on economic and humanitarian issues, are formulated common principles of international economic relations.

ECOSOC has ramified organizational system. It consists of nine functional commissions, of five regional commissions, of six permanent committees; also 18 specialized institutions, programs, centers and more are subordinated to it.

ECOSOC functional commissions:

1. Statistical Commission;
2. Commission on Population and Development;
3. Commission for Social Development;
4. Commission on Human Rights;
5. Commission on the Status of Women;
6. Commission on Crime Prevention and Criminal Justice;
7. Commission on Narcotic Drugs;
8. Commission on Science and Technology for Development;
9. Commission on Sustainable Development

Functional commissions cover chiefly social sphere of activity of ECOSOC; at least 6 of them (from 2nd to 7th) are dealing with the urgent social problems. As for the Statistical Commission, its function is the processing of huge amount of the factual material regarding economic and social situation of all countries. Due to this commission, humanity has the most accurate and complete information on the socio-economic situation of any region, of any country, of various sections of the population. An important role belongs to the Statistical Commission in conducting research, preparing reports on international issues in economic, social, and environmental spheres. Commission on Science and Technology for Development aims to distribute information about the latest discoveries in this field and to promote the implementation of scientific achievements and technologies in production, particularly in developing countries. The goal of Commission on Sustainable Development is to improve the economic development of the UN member states, especially the poorest countries.

Regional commissions of ECOSOC have to coordinate international economic relations at the level of regions. These commissions:

1. Economic Commission for Europe (ECE);
2. Economic Commission for Africa (ECA);
3. Economic and Social Commission for Asia and the Pacific (ESCAP);
4. Economic and Social Commission for Western Asia (ESCWA);
5. Economic Commission for Latin America and the Caribbean (ECLAC)

Besides functional and regional commissions, ECOSOC includes standing **committees and commissions** that coordinate the cooperation of the Council with other organizations and associations, as well as manage individual programs. Six committees are following:

1. Committee for Programme and Coordination;
2. Committee on Natural Resources;
3. Committee on Non-Governmental Organizations;
4. Committee on Negotiations with Intergovernmental institutions;
5. Commission on Transnational Corporations;
6. Commission on Human Settlements

Special attention should be paid to the Committee on Non-Governmental Organizations (NGOs) and to the Commission on Transnational Corporations ((TNC) because they coordinate relations of the UN with associations that are not members of the Organization. Namely through ECOSOC international NGOs, including economic INGOs, are participating in the work of the UN and communicate with other intergovernmental organizations.

ECOSOC coordinates the work of UN **specialized institutions**, which are essentially independent, very powerful and authoritative organizations. Their eighteen:

1. The International Monetary Fund (IMF);
2. International Bank for Reconstruction and Development (IBRD);
3. The International Development Association (IDA);
4. The International Finance Corporation (IFC);
5. Multilateral Investment Guarantee Agency (MIGA);
6. Food and Agriculture Organization (FAO);
7. International Civil Aviation Organization (ICAO);
8. International Maritime Organization (IMO);
9. International Labor Organization (ILO);
10. International Telecommunication Union (ITU);
11. Universal Postal Union (UPU);
12. International Fund for Agricultural Development (IFAD);
13. United Nations Educational, Scientific and Cultural Organization (UNESCO);
14. World Health Organization (WHO);
15. World Intellectual Property Organization (WIPO);
16. World Meteorological Organization (WMO);
17. Industrial Development Organization (UNIDO);
18. The World Trade Organization (WTO)

Organizations from this list, which are specialized organizations of the branch nature, will be closely examined in respective chapters.

To the Economic and Social Council are also subordinated separate programs, funds and centers; some of them ECOSOC manages jointly with the General Assembly. These, in particular, include: World Food Programme (WFP); Centre for Human Settlements (Habitat); United Nations Development Programme (UNDP); United Nations Development Fund for Women (UNIFEM). More on this group of ECOSOC subsidiary bodies, we shall speak in the section 3.3.

The structure of ECOSOC also includes expert bodies: Committee for Development Planning; Ad Hoc Group on International Cooperation in Tax Matters; Committee of Experts on the Transport of Dangerous Goods; Committee on Economic, Social and Cultural Rights; Committee on National Resources; Committee on Energy and Natural Resources for Development; Group of Experts in Public Administration and Finance.

ECOSOC management consists of 54 members, herewith each year one third of them are re-elected (18 persons); so that in three years the composition is completely updated. A simple majority takes decisions of ECOSOC.

4. International Court of Justice is the main legal body of the United Nations. Its purpose is to settle any disputes between countries. It must be emphasized that it considers interstate disputes and is not involved in legal cases relating to disputes between individuals from different countries or between an organization and private person. In addition, the court provides advisory opinions on legal questions submitted to it by authorized international agencies, and the UN General Assembly.

The court is composed of 15 independent judges, who are elected by the General Assembly and Security Council from the list of persons nominated by the national groups in the Permanent Court of Arbitration which is not a UNs agency. The criteria for election are first of all competence, rather than belonging to a particular country. Judicial candidates have to be highly qualified lawyers who proved themselves in their country or on the international scene as competent, conscientious, and decent professionals. The judges may not be nationals of the same country and the membership of the Court is supposed to represent the "main forms of civilization and of the principal legal systems of the world". Also there is an informal consent in regard to fair representation of different regions of the world: five seats for Western countries, three for African states, two for Eastern European countries, three for Asian states, and two for Latin American and Caribbean states. As a rule all 5 permanent members of the UN Security Council always have a judge on the Court. Judges are elected for 9-year term and can be re-elected. Every three years are re-elected five judges.

The procedure of judicial recourse to the International Court of Justice is voluntary; if the country not willing to transfer a case to the Court, it cannot be compelled. However, if the two countries agreed to resolve their dispute by the Court, its decision is already binding. To take a decision it is necessary at least nine of the judges. In cases where the conflicting party not agree with the decision and does not want to implement it, the Court may request the Security Council to take measures of compulsion.

International Court of Justice acts according to its Statute. All 193 UN members are automatically members of the Court; even those states, which are not a UN member, may go to the Court.

The court deals with matters relating to international law. Its competencies include the interpretation of treaties between states, delimitation of borders, and violation of international obligations. As for matters related to military operations, armed interventions, and occupation of territory - it is already the competence of the Security Council.

Judicial proceedings in the International Court of Justice are carried out in English or French.

5. UN Secretariat performs administrative and operational work. It implements the decisions, which were taken by other bodies, provides

organizational and technical support for conferences and meetings. The Secretariat carries out practical work concerning the peacekeeping operations and implementation of sanctions in accordance with decisions of the Security Council. It prepares economic reviews, initiates studies on actual problems of mankind. To the functions of the Secretariat belongs daily preparation of various documentations, including translations from one language to another.

Work of the Secretariat ensures about 20 thousand employees. They are mostly young, energetic people who have proven themselves as skilled and diligent specialists. The staff is divided into four categories: professionals; field service (working at missions with the monitoring or control tasks); general service staff; employees, which provide economic and technical services.

The Secretariat is headed by the **Secretary-General**, who is appointed by the General Assembly on the recommendation of the Security Council. As the recommendation must come from the Security Council, any of the five permanent members of the Council can veto a nomination. Secretary-General presents to the GA annual reports on the UN work and calls attention of the Security Council on acute situations in the world that could disrupt peace. The main functions of the Secretary-General are:

- management of the Secretariat;
- official representation of the UN in the global dimension;
- permanent contacts with the Member States of the UN;
- explanation of the functions of UN to global public, nongovernmental and private sectors;
- coordination within the UN system;
- constant monitoring of development of events in the world;
- production of ideas and the definition of strategies;
- provision of good offices to the conflicting parties in the critical international situations.

Given the range and significance of functions of the Secretary-General, his role within the UN system, easy to conclude that such person have to be a man of exceptional abilities; he should have qualities that will satisfy all the representatives of the Member States, and generally all mankind. These qualities are: high morality; diplomatic skills; analytical, administrative, managerial skills, the ability to generate original ideas, communicability, physical endurance, a sense of proportion and humor. Besides, he has to be fluent in English or French.

But that's not all. Secretary-General as a political figure has to be acceptable to the leadership of the great world powers. That is why his candidacy is nominated namely by the Security Council where permanent members have the right to "veto". If none of the permanent members objects to candidate for the post, it means that the figure of a compromise politician was found, who can find common language with representatives of the most powerful states, which are often antagonists in international politics. Some customs have developed regarding the selection procedure, such as by informal agreement, that the Secretary-General must not be a representative of a state that is a permanent member of the Security

Council. With the exception of the first one, all the Secretaries were from neutral countries, which are not members of military alliances. Yet another requirement for the election of the Secretary-General is to respect the geographical fairness, regional rotation, i.e. desirable that gradually the post were occupied by representatives of different continents, regions and groups of countries. The General Assembly also stated that due regard should be given to gender equality. It has become customary that the Secretary-General is elected for five-year terms and then can be re-elected for another term. While there is no formal limit to the number of terms, none so far has held office for more than two terms.

Over the history of the UN as Secretary-General were:

<i>Secretary-General</i>	<i>Dates in office</i>	<i>Country of origin</i>	<i>UN Regional Group</i>	<i>Reason of withdrawal</i>
Gladwyn Jebb	1945-1946	United Kingdom	Western Europe	Served as Acting Secretary-General until Lie's election
Trygve Lie	1946-1952	Norway	Western Europe	Resigned
Dag Hammarshold	1953-1961	Sweden	Western Europe	Died in a plane crash while on a peacekeeping mission
U Thant	1961-1971	Burma	Asia-Pacific	Declined to stand for a third election
Kurt Waldheim	1972-1981	Austria	Western Europe	China vetoed his third term
Javier Perez de Cuellar	1982-1991	Peru	Latin America and Caribbean	Did not stand for a third term
Boutros Boutros-Ghali	1992-1996	Egypt	Africa and Arabia	The United States vetoed his second term
Kofi Annan	1997-2006	Ghana	Africa	Retired after two full terms
Ban Ki-moon	2007-2016	South Korea	Asia-Pacific	Retired after two full terms
António	2016	Portu-	Western	Incumbent

[10].

Work of Secretary-General is not only very hard but sometimes accompanied by risk for life. So, Dag Hammarskjöld, while regulating armed conflict in Zaire, died in a plane crash here under mysterious circumstances.

6. **The Trusteeship Council** was established to help some former colonies, which have emerged from the yoke of the metropolises, but were still unable to exercise fully independent governance. Eleven Territories were placed under trusteeship: seven in Africa and four in Oceania. By the mid 90's they became completely independent, so Trusteeship Council (which at that time was reduced and ultimately came to include only the five permanent Security Council members - Russia, the USA, Great Britain, France and China) has exhausted its function. With the cessation of its main activities in 1994, new roles for the council were proposed - to turn this body into a forum of collective guardianship over global environment, over minorities and indigenous peoples.

3.3. Socioeconomic UN bodies

The United Nations has in its structure a number of programs, funds and centers of different directions. Most of them are established to provide social and economic assistance to countries, international organizations and certain segments of the population, in difficulty. These bodies are subordinated to the General Assembly and Economic and Social Council, which mostly carry out joint management of them. Here are the main programs, funds and UN centers in the socio-economic sphere.

Programme:

- UN Development Programme (UNDP);
- World Food Programme (WFP);
- UN Environmental Programme (UNEP);
- UN Human Settlements Programme (UN-HABITAT);
- UN International Drug Control Programme (UNDCP).

Funds:

- United Nations Population Fund (UNFPA);
- United Nations Development Fund for Women (UNIFEM)
- United Nations Children's Fund (UNICEF);
- United Nations Capital Development Fund (UNCDF).

Centers:

- UN Office for the Coordination of Humanitarian Affairs (OCHA) ;
- Office of the UNs High Commissioner for Refugees (UNHCR), ;
- United Nations Institute for Training and Research (UNITAR);
- United Nations University ((UNU);
- Food and Agriculture Organization of the United Nations (FAO);
- International Trade Centre (ITC) - subsidiary organization of UNCTAD and WTO.

To this same group of subsidiary bodies also belongs the Conference on Trade and Development (UNCTAD); it will be discussed in the section on international trade organizations. Let us consider the most important UN programs and funds.

United Nations Development Program (UNDP) was founded in 1965. The main objective of UNDP is to provide assistance to developing countries for speeding up their economic growth. The program is funded through voluntary contributions; major donors - developed countries (USA, Japan, the Netherlands, Denmark, Sweden, Germany, Norway).

The basic functions of UNDP include:

- development of projects and development programs;
- allocation of funds for implementation of projects;
- technical assistance;
- advisory and expert services;
- organization of seminars and training of specialists abroad;
- training of national management personnel;
- facilitate the implementation of reforms;
- providing assistance in emergencies.

The main areas of UNDP's activity are: the fight against poverty; development of administrative activity; facilitating technical cooperation between the developing countries; the environment; efficient usage of natural resources; women's participation in social management.

Structurally, the UNDP includes the following components:

- Programme "UN Volunteers";
- Global Environment Facility (GEF);
- UN Women;
- United Nations Capital Development Fund (UNCDF) - an autonomous UN organization affiliated with UNDP.

Capital Development Fund finances prospective development projects related to public infrastructure, to improvement of the people's lives in the least developed countries. In more details the Fund's activities will be analyzed later. The Global Environment Facility (GEF) is aimed at preventing of environmental crises and redressing of damages caused by environmental pollution. The Programme "UN Volunteers" manifests itself in the sending of specialists into the least developed country to provide technical assistance. United Nations Entity for Gender Equality and the Empowerment of Women also known as "UN Women" is foundation intended to support and raise the status of women in society, especially of their role in the management of socio-economic and political processes.

UNDP assistance is provided only for governments or through their mediation. In recent years among the objectives of the Programme emerged such as the facilitating economic reforms in countries with transition economy; herewith special attention is paid to the private sector.

UNDP headquarter is located in New York.

United Nations Environment Programme (UNEP) was founded in 1972. It was the result of the Stockholm UN Conference on environmental problems. The conference worked out a balanced and comprehensive approach to solutions of environmental problems at the global level. In Stockholm was adopted two important documents - "Declaration of the United Nations Conference on the Human Environment" and Action Plan on environmental protection. The declaration emphasizes that the state of the environment determines intellectual, social and spiritual development of man. Protection and reproduction of the environment is a necessary condition for human well-being; responsibility for this lies not only on governments but also on each person. The Action Plan has defined organizational forms of environmental protection. UNEP was established on the basis of recommendations contained in the Action Plan.

The main purpose of the Programme is the cooperation of countries in protection and improvement of the environment.

The functions of UNEP:

- development of recommendations for policies to protect the environment;
- general coordination and management of programs on conservation of natural environment;
- preparation of reports on the state of the environment in the world and by regions;
- monitoring of the environment (environmental monitoring);
- facilitating of carrying out environmental studies by international research organizations;
- implementation of technical measures to eliminate harm caused to the environment.

Funding for the Program carries out the Voluntary Fund UNEP. The headquarters is located in Nairobi (Kenya).

With the participation of UNEP were developed a number of environmental conventions (on biodiversity, climate change, etc.). Among the main activities of UNEP is the preservation of genetic resources of the biosphere, prevention of the ecosystems death. The World Charter for Nature, adopted by the United Nations General Assembly in 1982, is an important step in the achieving this goal.

UNEP coordinates its activities with UNESCO and UNDP, since the latter two partially are dealing with different environmental aspects of international relations.

UN Capital Development Fund (UNCDF) was established by the General Assembly in 1966 as an autonomous UN organization affiliated with UNDP. It is the special purpose fund, which aims to support the poorest people in the least developed countries primarily in Africa and Asia to promote sustainable and inclusive growth. In order to improve poor people's lives UNCDF provides financial assistance in the forms of grants, soft loans and credit enhancement as well as technical support to help poor households, small businesses, and local governments finance the capital investments, such as water systems, roads,

schools, irrigation projects and the like. Fund resources are formed mainly by voluntary contributions.

Thus, the UN is an organization that covers virtually all areas of human activity at the level of international relations. This determines much ramified organizational and functional structure of the Organization. The structures, as well as areas of activity of the United Nations, are characterized by the dynamism. When in the world are taking place important changes in the political, economic, social and other areas, the United Nations is responding to them accordingly by formation of new bodies, organizations, commissions, which have been taking control over of solving of new problems.

Very important is the UN's role in the coordination of global economic processes. All intergovernmental economic organizations in the world either directly included in the UN's structure (specialized institutions) or maintain with it permanent working relationships (regional organization). UN also maintains coordinative ties (through ECOSOC) with non-economic organizations. Thus, the UN is a global system of international economic relations, organized into an extensive network of international organizations.

Chapter 4. Intergovernmental economic organizations of general competence

This group includes Intergovernmental economic organizations (IGEO), the scope of economic interests of which are very broad, almost unlimited. Any economic problem may be the subject of attention of such an organization. As noted in Section I, general economic competence is inherent to UN, to Council of Europe, to OECD and to regional integration associations. But the activities of regional intergovernmental organizations is limited in space, therefore typologically they are distinguished in an independent group. As for the Organization for Economic Cooperation and Development, it is a global economic organization of general competence. The global nature of the OECD brings together the Organization with the UN. The difference lies in the fact that, despite the multifunctional nature of the OECD's activities the latter does not extend beyond socio-economic sphere. Another distinction: the UN is an open organization, and the OECD is half-open; although the Statute provides for the possibility of any organization to join the OECD, in reality there is a rigorous selection of candidates by the founders of the organization.

The general competence in the economic sphere characterizes also the so-called advisory groups of states ("Group of Seven", "Group of Ten", etc.). In the strict sense they are not organizations: no charter, no permanent bodies, the meetings are not scheduled, but occur in the case of an urgent necessity. But their role in international relations is quite large, especially of the "Group of Seven". Their decisions are taken to attention by such organizations as the OECD, World Bank, IMF and others. That is why the advisory groups wise to consider together with MDEO.

4.1. Organization for Economic Cooperation and Development (OECD)

The Organization for Economic Co-operation and Development (OECD) is an intergovernmental economic organization. The OECD defines itself as “a forum of countries committed to democracy and the market economy, providing a setting to compare policy experiences, seek answers to common problems, identify good practices, and co-ordinate domestic and international policies. Its mandate covers economic, environmental, and social issues” [11]. Most OECD members are developed countries.

Organization for Economic Co-operation and Development became an heiress of the Organization for European Economic Cooperation (OEEC), which was created in 1948 to promote the implementation of the "Marshall Plan". Let us recall that it was the plan of economic assistance of the USA and Canada to countries in Western Europe that suffered during World War II. By virtue of known political circumstances "Marshall Plan" was related only to Western countries. By the end of the 1950s the job of rebuilding Europe was effectively done, Western Europe has not only restored the destroyed economy, but also

surpassed the prewar level. Moreover, most countries of this region - Germany, France, Great Britain, Italy - on certain economic parameters approached the US and did not have the previous need in assistance from the US and Canada. They themselves now have been capable to provide economic assistance to less-developed countries.

In these circumstances, the goals of the organization changed. From a regional organization, what, in fact, was OEEC, the new association transformed into an organization of the global type. OEEC was reformed into the Organization for Economic Co-operation and Development (OECD) and membership was extended to non-European states. The convention establishing the OECD was signed in 1960 and went into effect in 1961. Reconstituted organization brought the US and Canada, who were already OEEC observers, on board as full members. So the official founding members were: Austria, Belgium, Canada, Denmark, France, West Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States. Since then a number of countries have joined organization: during the next 12 years after OECD's establishment - Japan, Finland, Australia, and New Zealand; between 1994 and 2000 - Poland, Hungary, the Czech Republic, and Slovakia, as well as Mexico and South Korea; in 2010 - Chile, Slovenia, Israel and Estonia, and in 2016 - Latvia.

Currently the OECD includes 35 member countries:

1	Australia	8.	Estonia	15	Ireland	22	Mexico	29	Slovenia
.	a		2010	.	1961	.	1994	.	2010
	1971								
2	Austria	9.	Finland	16	Israel	23	Netherlan	30	Spain
.	1961		1969	.	2010	.	ds	.	1961
							1961		
3	Belgiu	10	France	17	Italy	24	New	31	Sweden
.	m	.	1961	.	1962	.	Zealand	.	1961
	1961						1973		
4	Canada	11	Germa	18	Japan	25	Norway	32	Switzerl
.	1961	.	ny	.	1964	.	1961	.	and
			1961						1961
5	Chile	12	Greece	19	South	26	Poland	33	Turkey
.	2010	.	1961	.	Korea	.	1996	.	1961
					1996				

6	Czech Republic	13	Hungary	20	Latvia	27	Portugal	34	United Kingdom
				1996	2016		1961		1961
				1995					
7	Denmark	14	Iceland	21	Luxembourg	28	Slovakia	35	United States
			1961		1961		2000		1961

[11].

In the work of the OECD as a collective member participates also EU. The share of OECD countries in the world gross domestic product is 60%.

Decision on the membership is preceded by the decision to start accession negotiations. Such negotiations can last several years and serve to determine the degree of conformity of economic rules, of legal and institutional structure of the candidate countries to the standards reached by OECD countries. Currently several countries expressed their willingness to join OECD membership - Malta, Lithuania, Romania, Bulgaria, Colombia, Costa Rica, Russian Federation, Peru, Malaysia, Kazakhstan. Part of them (Colombia, Costa Rica, Lithuania, Russia) are now in accession talks.

The expansion of OECD's membership means that the organization is gradually losing its semi-closed character and becoming truly global. Participation in the OECD opens for the member countries a great opportunity for equal cooperation with the richest countries.

The main objectives of the OECD are:

- Promotion of sustainable development of the world economy;
- Ensuring a high level of economic growth, employment and prosperity in member countries;
- Promotion financial stability in both Member States and throughout the world;
- Contribution to the expansion of world trade on a multilateral, nondiscriminatory basis in accordance with international obligations;
- Liberalization of capital movement;
- Facilitating efficient use of economic resources;
- Promoting research and training in science and technology;
- Promotion economic development in developing countries

We see that the goals of the OECD go beyond the purely corporate limits and have a global directivity. This means that the aim of the founders of the OECD was an organization that would coordinate and regulate international relations on the big world space. Thus, the OECD acquires traits of the UN, and in some respect duplicates its functions in the economy. However, the effectiveness of its measures is higher given the political solidity of member countries and powerful levers of economic influence. The OECD decisions are taken into consideration when examining economic issues by the relevant UN bodies.

The organizational and functional structure of The Organization for Economic Co-operation and Development. The OECD consists of five main organs, of two autonomous bodies (agencies), of the Centre for Educational Research and Development Centre of the OECD, as well as numerous Committees, working groups and expert committees (over 200).

Council is the supreme body of the OECD, which provides direction and guidance to the work of Organization. It consists of representatives of the Member States. At its meetings, the Council considers the fundamental questions of economic policy. Depending on the nature of the issues under discussion, the Council meets once a year at the level of finance ministers, or ministers of economics, trade and foreign affairs. Regular meetings take place twice a month at the level of permanent representatives. Decisions are made by consensus; they are binding on member states. By the way, it favorably distinguishes OECD from UN economic bodies where decisions are mainly advisory. Compulsory implementation of decisions increases the effectiveness of the OECD.

The Executive Committee has the operational and control functions and prepares meetings. It consists of 14 members. Of these, 7 - permanent members (the US, Japan, Germany, France, Great Britain, Italy and Canada), and 7 are yearly appointed on rotational basis. To discuss the important questions is created Executive Committee *with special composition*, which includes senior officials from Member States.

Development Assistance Committee (DAC) works out development programs for OECD countries, as well as assistance programmes to developing countries, and for countries with economies in transition. It identifies the amount of resources needed for economic recovery, for the fight poverty in the least developed countries. In 1993, the Committee took the decided according to which the concept "official development assistance" covers also the countries of Central and Eastern Europe.

Centre for Cooperation with European countries in transition was founded in 1990, that is, at a time when fundamental social and economic changes in the socialist countries become a reality. The objectives of the Centre were: coordination of cooperation of OECD with this group of countries in the field of economic and social policy; technical assistance; organization of development programs and the monitoring of their implementation.

Centre provides training in the following areas: competition, labor market, social policy, banking, financial system, taxation, trade, investment, industry, agriculture, energy, education, environment, and statistics [7, p. 167]. The forms of training are seminars, practical works, technical missions, and others. Experts who have received training through the Centre are better adapted to new economic realities and are capable effectively carry out reforming of the national economy.

OECD Secretariat. The Secretariat carries out the daily operational work, providing support to the Council, Executive Committee, and other Committees. It collects data, monitors trends, and analyses and forecasts economic developments, researches social changes, evolving patterns in trade,

environment, education, agriculture, technology, taxation, and other areas. Secretariat is headed by the Secretary-General, appointed by the Council for 5 years (currently Angel Gurría).

Secretariat is organized into **Directorates** in charge of key Committees: on the economy; on statistics; on environment; on cooperation in development; on trade; on finances; on taxes and entrepreneurship; on science, technology, and industry; on informatics and communication; on budget and finance; on administration and staff.

Representatives of member states and of observer countries meet in specialized **Committees**, which are formed by the sectorial principle and coordinate work on a wide range of issues, such as economics, trade, science, employment, education, or financial markets. System of the committees corresponds to similar system of ministries and agencies that are in the governments of member states.

OECD system includes also two **autonomous bodies** - the International Energy Agency (IEA) and the Nuclear Energy Agency (NEA). These agencies represent a forum to discuss energy problems facing the OECD.

Among OECD subsidiary bodies should be singled out two scientific research **centers**.

Centre for Educational Research and Innovation (CERI) was established in 1968 to promote research in the field of education for its programmatic development. Center develops and applies into practice new methods and models of education, disseminates information about new systems of education.

OECD Development Centre analyzes and summarizes the experience of development and implementation in the economic life of ideas and economic policy in order to enhance economic management, to give a new impetus to the development of the national economy of member countries. This experience and knowledge Centre gives also at the disposal to developing countries. The center has a library containing works on economic and social problems of developing countries.

Delegates from the member states attend committees and series of other meetings: the yearly Ministerial council meeting (the ministers of Economy of all member countries and the candidates); the annual OECD Forum (leaders from business, government, labor, civil society and international organizations); thematic Ministerial meetings (ministers of a given domain); the bi-annual “World Forum on Statistics, Knowledge and Policies”.

The OECD systematically publishes books, reports, statistics, working papers and reference materials on a variety of subjects that include agriculture, scientific research, capital markets, tax structures, energy resources, environment,, educational development, and development assistance. Books are: “The OECD Economic Outlook” (twice a year), “The Main Economic Indicators” (monthly), “The OECD Factbook” (yearly), “The OECD Communications Outlook” and “the OECD Internet Economy Outlook” (every year), “Human Capital” (2007), “The OECD Environmental Outlook to 2030” and others. Magazine “OECD

Observer” (quarterly) contains analysis, reviews, commentaries, and data on global economic, social and environmental challenges. All databases can be accessed via OECD iLibrary, OECD StatLink).

The OECD is financed from two sources. The bulk of the funding (Part I), which goes to support the work of the Secretariat and staff of relevant Directorates and Committees is formed by mandatory contributions from member countries. The size of annual contribution is determined by the proportion of GDP of each country in the total GDP of all OECD countries combined. Currently the largest contributor is the US (about one quarter of the budget), followed by Japan (16%), Germany (9%) and the UK and France (7%).

The second part of the funding (Part II) consists of the voluntary contributions by Member States and fees of partner countries for their participation in projects and programs of Committees.

In 2015, annual budget of the OECD was €363 million [12].

The OECD is essentially a consultative assembly. It pursues its program to improve economic and social policy by means of moral suasion, scientific proof, meetings and publications, by so called "soft law". But OECD has a great authority and significant influence as an advisory body.

4.2. Consultative groups of states

Consultative groups of countries are the associations of states, created for resolving urgent problems of economic nature. As already mentioned, consultative groups are not organizations in the true sense of the word, rather relatively stable mechanisms of coordination of economic policies. Usually they do not have permanent organizational structure (no charter, lack of permanent governing bodies, though often with secretariat), but their functions are, in fact, coincide with the functions of economic international organizations, therefore it is advisable to become acquainted at least in general terms with their activities.

The consultative groups of states are called "clubs" (Paris Club) or "groups". Functions of clubs will be discussed in more details in the section devoted to international monetary and credit organizations. Groups of States are forming to address the problems of international economy arising in the process of development of international relations. Countries are grouping according to the common interests in the field of global economy. Names of groups correspond to their size.

The most known of **the consultative groups** on the problems of international economy are: Group of Seven; Group of Nine; Group of Ten; Group of Eleven; Group of Fifteen; Group of Twenty four; Group of Seventy seven.

Group of Seven (G-7) is the most influential group in addressing economic problems. Its composition is: US, Japan, Germany, France, Great Britain, Italy and Canada. This are countries with the most powerful economic potential, therefore the stance of G-7 determines in many respects the direction of development of the global economy. Group of Seven ("Great Seven") was formed in 1975 to discuss

global economic problems, mainly financial and monetary in nature. Meetings of group are held once a year at the level of heads of states or governments, and constantly - at the level of finance ministers, and chief officers of central banks. At the meetings of G-7 are discussed fundamental problems of the world economy, the situation with the exchange rate, and the questions of balancing of national economies. Result of such meetings is the development of a common economic policy of the states of "Seven", determination of their positions on the most important problems.

Group of Seven discusses not only economic but also political problems in those aspects that are related to the economy.

Group of Nine (G-9) includes Austria, Belgium, Bulgaria, Denmark, Finland, Hungary, Romania, Sweden, Serbia. It is designed to address the economic problems of Europe with emphasis on Central Europe.

Group of Ten (G-10) was established in 1962 by ten industrial countries: Belgium, Canada, France, Italy, Germany, Japan, Netherlands, Sweden, UK and USA (in 1964 they were joined by Switzerland, but the name remained the same). Luxembourg is an associate member. These countries agreed to participate in the General Arrangements to Borrow (GAB), providing the International Monetary Fund with additional funds to increase its lending resources. The potential amount of credit available to the IMF under the GAB totals SDR 17bn (about \$26bn). Official observers of the activities of the group are: Bank for International Settlements (BIS), European Commission, IMF and OECD. It is a powerful and influential group, which focuses on solving monetary problems both globally and in European region.

Group of Eleven (G-11) includes a number of mostly Asian and Latin American countries and is intended to discuss the economic situation in the region and the adoption of coordinated economic policy. The members of G-11 are mostly developing countries: Jordan, Croatia, Ecuador, Georgia, El Salvador, Honduras, Indonesia, Morocco, Pakistan, Paraguay, and Sri Lanka. They aimed first of all at easing their debt burden and narrowing the gap with rich countries.

Group of Fifteen (G-15) comprises a very diverse group of countries connected not by geography but by common economic problems facing them. It is the developing countries in Asia (India, Indonesia, Iran, Malaysia, and Sri Lanka), Africa (Egypt, Algeria, Kenya, Nigeria, Senegal, and Zimbabwe), Latin America (Argentina, Brazil, Chile, Mexico, Jamaica, and Venezuela); Europe is presented by Serbia. Composition of G-15 indicates that it unites mostly the "newly industrialized" countries. Since the foundation at the Ninth Summit of Non-Alignment Movement in Belgrade in 1989) membership of G-15 has expanded to 18 countries, but its name has remained unchanged.

The G-15 focuses on cooperation among developing countries in the areas of investment, trade, and technology to enhanced growth and prosperity, as well as on pursuing a more positive and productive North-South dialogue.

The G-15 has not an administrative structure, except Technical Support Facility (TSF), which is located in Geneva. The TSF is led by the Chairman (for

the current year) and provides necessary support for the activities of Organization. Other organs and functions of the G-15 include: Summit of Heads of State and Government (biennially) with venue changed on rotation basis among the three regions of membership; meetings of Ministers of Foreign Affairs (yearly); Steering Committee composed of three Foreign Ministers; Personal Representatives of Heads of State and Government: Each member country is represented by Personal Representatives of Heads of State and Government who meet regularly. The private sector forum of G-15 is represented by the Federation of Chambers of Commerce, Industry and Services (FCCIS), which aims to coordinate and maximize efforts to promote business, economic development and joint investment.

Group of Twenty (G-20) combines the most developed countries from all over the world. It is an international forum for the governments and central bank governors from twenty major economies. G-20 was founded in 1999 with the aim of promoting high-level discussions to provide international financial stability, coordinate economic policy, global economic governance. For example in 2009 the group members gathered to address ways out of the global economic crisis.

Organization includes 19 individual countries—Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States as well as EU (represented by the European Commission and by the European Central Bank). Currently the economy of G20 makes 85% of the gross world product, 80% of world trade. Population of G20 countries makes two-thirds of the world population. Although there are no formal criteria for G20 membership, in view of the objectives of Organization it was important to include the countries and regions significant for the international financial system, as well as to keep geographical balance and population representation. Economic weight and broad membership gives to Group a high degree of legitimacy and influence over the management of the global economy and financial system, despite absence of any formal ability to enforce set by its rules.

The G20 has no permanent secretariat or staff. The incumbent *Chair* forms a temporary secretariat to coordinate the Group's work and prepare its meetings. The Chair is selected annually on a rotation basis among the member states taking into account different regional grouping of countries.

Leaders (heads of states or heads of governments) periodically take counsel at annual *Summits*. Separate meetings are held at the ministerial-level by finance ministers and central bank governors of member states, or by other ministers. In addition in meetings of the G20 participate: *guests*, which include: Spain (permanent guest member), the Chair of ASEAN, the Chair of the African Union, representative of New Partnership for Africa's Development (NEPAD), and a representative of country invited by the acting Group's Chair (usually from its own region); *chief executive officers* of several international forums and institutions: managing director and Chairman of the IMF, the President of the World Bank, Chairman of International Monetary and Financial Committee (IMFC), and

Chairman of Development Assistance Committee (DAC); *leaders* of UN, of FSB, of ILO, of OECD, of WTO.

The Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development known as **Group of Twenty-four (G-24)** was founded in 1971 to coordinate the position of developing countries on monetary and development finance issues. G-24 is a chapter of the G-77.

Members of G-24 are: *from Africa* - Algeria, Côte d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Nigeria, South Africa and the Democratic Republic of Congo; *from Latin America and Caribbean* - Argentina, Brazil, Colombia, Guatemala, Mexico, Peru, Trinidad and Tobago and Venezuela; *from Asia* - India, Iran, Lebanon, Pakistan, Philippines, Sri Lanka and Syria. Membership is strictly limited to 24 countries, but any member of the G-77 is eligible to participate in G-24 meetings. China is a "special invitee".

The *governing body* of G-24 is comprised of Ministers, their Deputies, and the Bureau. The Ministers meet twice a year to approve decisions.

Bureau is constituted by three Chair-countries: *the Chair*, the First and Second vice Chairs (each Chair-country represents a different region). The Chair-country takes responsibility for preparing the meetings.

Bureau has two executive structures: *the Secretariat* which supports the Chair and the Bureau, ensuring effective liaison among G-24 members, with a view to facilitating consensus on issues of common interest; *the Research Program* provides support and strengthen the capacity of the G-24 Members for effective participation in discussions.

Group of Seventy-seven (G-77) is largest intergovernmental organization of developing nations *in the United Nations*. It was formed in 1964, deriving its name from 77 original signatories to the Joint Declaration.

The *general goals* of the Group are: maintaining the independence and sovereignty of all developing countries; promoting collective economic interests of the South countries by insisting on equal standing with developed countries in the global marketplace; enhancing of joint negotiating capacity of developing countries on all major international economic issues within the United Nations system. The specific objectives of the G-77:

- eliminating asymmetry in the multilateral world trading system;
- organizing effective transfer of resources between developing and the developed countries;
- removing protectionist barriers for access to the markets in developed countries.

The original name of the Group remains unchanged despite of its expansion up to 134 countries. Since the first Ministerial Meeting in 1967 in Algiers, which adopted the Charter of Algiers, a permanent institutional structure of Group has formed. It consists of *five chapters* based in Geneva, Nairobi, Paris, Rome, and Vienna and an Intergovernmental "Group of 24" based in Washington. Each chapter has a chairman appointed on a one-year on a rotating basis (between Africa, Asia-Pacific and Latin America and the Caribbean).

The supreme decision-making body of the G-77 - *the South Summit* is convened every five years. The *Annual Meeting of the Ministers for Foreign Affairs* of the Group is held at the beginning of the regular session of the General Assembly of the United Nations. Periodically, Sectoral Ministerial Meetings are being held. The Group of 77 produces joint declarations, action programmes and agreements on development issues.

The activities of the G-77 are *financed* through contributions by Member States.

Chapter 5. International non-governmental economic organizations (INGEOs)

5.1. Features of the international non-governmental organizations

International non-governmental organizations are associations of national organizations, unions, groups, and individuals, based on nongovernmental agreements. Thus, the state cannot be held responsible for activities of its citizens or social groups in such organizations. However, some NGOs have a significant impact on the development of world events and, particularly international economic relations.

International non-governmental organizations are organizations which facilitate the development and cooperation in a wide range of international relations: in politics, economy, in cultural, scientific and technical areas of activities. Today in the world there are more than 20 thousand of international NGOs, about 1,600 of them work in the field of economic and social development and have a consultative status at ECOSOC [6, p. 243-244]. International NGOs are not trying to make profit; they operate by contributions from its members.

The vast majority of NGO's decisions have optional character of recommendations on matters within the competence of the organization. Being in various degrees mandatory for members of organization itself, acts of nongovernmental organization do not have internationally legal value. Unlike intergovernmental organizations that may have rather broad sphere of competence, NGOs always have a certain specialization or competence.

International NGOs have close ties with the United Nations and intergovernmental organizations. Depending on the authority of NGO it is provided by this or that category of consultative status with ECOSOC. Category one is offered to organizations that in their work have the most common interests with the competence of ECOSOC. The category two includes organizations whose work partially, only in some matters coincides with the scope of competence of the Council. In ECOSOC, there is Committee on NGOs. According to UN resolutions, international non-governmental organizations may participate in the preparation of UN conferences, in developing of resolutions. Non-governmental organizations have consultative status in some international and regional organizations. So, under the Council of Europe such a status have 350 non-governmental organizations [6, p. 245].

Cooperation of nongovernmental organizations (NGOs) with intergovernmental organizations (IGOs) occurs on such main directions:

- providing information about its activities and dissemination of information received from the intergovernmental organizations;
- consulting of other organizations, community groups and individuals on matters within their competence;
- participating in the law-making process, drafting of international agreements;

- monitoring the observance of norms of international law especially in the sphere of human rights and of protection of the environment;
- forming of investigative commissions to investigate international crimes.

The oldest international nongovernmental organizations were created still in XIX century. For example, one of the most famous and influential organizations, **the International Committee of the Red Cross (ICRC)** was founded in 1863 in Geneva by Swiss Henri Dunant and Gustave Moynier as private humanitarian organization with the aim to provide humanitarian assistance to the prisoners, the sick and wounded military during the war. Initially, on idea of its organizer, the Red Cross had to consist only of the representatives of Switzerland as traditionally neutral state. But in the following years national societies of Red Cross were founded in nearly every country in Europe, in United States and all over the world. In Islamic regions they were known as the Red Crescent, in Iran – as the Red Lion and Sun. In 1919 representatives of the national Red Cross societies from USA and some European countries met in Paris and have created the "League of Red Cross Societies", which expanded Red Cross activities on those affected by the disasters not caused by war, in peacetime. Later (1983) because of growing number of national societies in Islamic regions the League was renamed to the "League of Red Cross and Red Crescent Societies", and since 1991 it is called "International Federation of Red Cross and Red Crescent Societies" (IFRC). ICRC and IFRC signed the Seville Agreement (1997) defining the cooperation and responsibilities of both organizations within the **International Red Cross and Red Crescent Movement**, which besides ICRC and IFRC includes 190 National Red Cross and Red Crescent Societies in nearly every country in the world, and comprises about 97 million people worldwide. According to Agreement, the ICRC is the leading Red Cross agency in conflicts, while IFRC takes the lead in non-war situations, and national societies – in internal conflicts, which happen in their countries. Movement's headquarters is located in Geneva. Basic principle of International Red Cross and Red Crescent Movement are:

- *Humanity* – protection of human life and health, alleviation of suffering;
- *impartiality* - not to make discrimination as to nationality, race, religious beliefs, class, or political opinions;
- *Neutrality* – not to take sides in the political, racial, religious or ideological confrontations;
- *Independence* – preservation of autonomy of national societies from their governments to be able at any moment to fulfill the goals of the Organization;
- *Voluntary service* – without desire for any sort of gain;
- *Unity* - in any one country can be only one Society of Red Cross and Red Crescent, which is open to all;
- *Universality* - all Societies of Movement worldwide have equal status and share equal responsibilities and duties in helping each other. Societies of Red Cross and Red Crescent have saved many people from death, suffering, disease, and starvation [13].

In 1889, on the initiative of two parliamentarians-pacifists William Randal Cremer (United Kingdom) and Frédéric Passy (France) was established **The Inter-Parliamentary Union (IPU)**, which consisted of national groups of Parliament Members. Now IPU is a global political organization, the first permanent forum for multilateral worldwide parliamentary dialogue. Initially designed as association of individual parliamentarians IPU over time has transformed into an international organization of Parliaments. Its objectives also have evolved. Founded with the aim to arbitrate conflicts, over time mission of IPU has been extended toward the activities on promotion of peace and co-operation among peoples, and establishment of institutions of representative democracy, development of inter-parliamentary dialogue. The IPU took part in the process of formation of inter-governmental institutions, including the UN, with which it closely co-operates, whose objectives it shares and has permanent observer status at it. IPU was also instrumental in creation of Permanent Court of Arbitration (Hague). The Union also co-operates with regional inter-parliamentary organizations, as well as with international IGOs and INGOs, which share its values. Headquarters of the IPU is located in Geneva (Switzerland). Now members of the IPU are the parliaments of 170 countries and 11 regional parliamentary assemblies are associate members. It is financed primarily by member states out of public funds.

Currently the main areas of activity of the Inter-Parliamentary Union are:

Global promotion of parliamentary democracy as the means to express the will of the people, guaranteeing their rights and liberties;

Work on the issues of disarmament, of elimination of conflicts through political negotiations;

Promotion of sustainable development, which encompasses not only environmental issues, but also human development, social and economic justice, and advancement of democracy;

Promotion and defending of human rights, including gender equality; issues of education, science and culture

Organizational structure of IPU:

- *The Assembly* (formerly Inter-Parliamentary Conference) is the principal body that expresses the views of the IPU on political issues and makes decisions. It meets twice a year (held each time in a different country). Delegations that attend Assemblies, customarily comprises MPs from all parties. Most members are affiliated to one of the six geopolitical groups: Africa, Arab group, Asia-Pacific, Eurasia, Latin America and the Caribbean, Twelve plus (the Group of Developed Democracies).

- *President* - the political head of the Organization is elected for a three-year term by Governing Council, and also ex officio is President of Governing Council and of the Executive Committee.

- *The Governing Council* (formerly Inter-Parliamentary Council) is the plenary policy-making body of the IPU and is composed of three representatives from each national parliament. Tasks of the Governing Council: decisions on admission, suspension or exclusion of members; adoption of the working program

and the budget of the IPU; election of the President, of members of the Executive Committee, of Secretary-General; overall planning and control of implementation of the Union's decisions; decisions concerning annual IPU membership fee and of budget of the Union and others.

- *Committees*, working groups and ad hoc bodies, which are established by the Governing Council. Currently standing committees include Committee on Peace and International Security; Committee on Sustainable Development, Finances, and Trade; Committee on Democracy and Human Rights; Committee on United Nations Affairs. President and Bureau comprising a President and a Vice President who represent different geopolitical regions manage the committees' work. The sub-committee on finance acts as an advisory body to the Executive Committee.

- *The Executive Committee* is the main administrative organ. It consists of 17 members: of President of IPU; fifteen members (elected by the Council for a four-year term) belonging to different Parliaments and to different geopolitical groups; of the President of the Coordinating Committee of the Meeting of Women Parliamentarians. President chairs Sessions of Executive Committee. The Executive Committee controls the implementation by the Secretariat of the decisions taken by the Assembly and the Council; works out recommendations for the Governing Council; proposes to the Council the annual work programme and budget of the Union.

- *The Meeting of Women Parliamentarians*, which takes place every year on the day prior to the plenary session of the spring IPU General Assembly and discusses issues that are on its agenda.

- *The Secretariat* (located in Geneva), headed by Secretary-General prepares and submits to the Executive Committee an annual work programme and draft budget of the Union, is responsible for implementation of budget and other decisions of the Governing Council and IPU Assembly.

- *The Association of Secretaries General of Parliaments (ASGP)* is the consultative body of the IPU. The main goal of its work is to promote the establishment of personal relations among the Secretary-Generals of the parliaments from all over the world. The ASGP has its own elected leadership and is financially independent from the IPU.

UN and the IPU *cooperate closely* on issues of peace and security, economic and social development, human rights, democracy and gender, but IPU is not subsidiary organ of UN. UN officially recognizes IPU as the world organization of parliaments. Every year during the fall session of the UN General Assembly, the IPU organizes a Parliamentary Hearing [14].

After World War II starts the process of rapid proliferation of international NGOs. Many of them have emerged as a reaction of pacifists on the horrific manifestations of war, for example, Women's International Democratic Federation (1945), International Organization of Journalists (1946), International Association of Democratic Lawyers (1946).

The most interesting for us are the international *non-governmental economic organizations (INGEO)*.

In 1895 was founded **International Co-operative Alliance (ICA)**, which unites the national and regional associations of Co-operatives. A co-operative is defined as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” [15]. They are businesses owned by their members, who get an equal say in the business and a share of the profits. ICA's goal is the development of the cooperative movement, interaction between cooperative organizations of different countries, sharing of knowledge and expertise in cooperative business. Currently Alliance represents 292 co-operative federations and organizations in 95 countries, from various sectors of the economy: of agriculture, fisheries, banking, consumer, housing, insurance, health, and embraces about 1 billion individuals worldwide.

The organizational structure of ICA includes [15]:

- *General Assembly* - highest authority of the Alliance, which is made up of representatives appointed by member organizations; President and Board (both elected by Assembly);

- *Four Alliance regions* (Africa, Europe, Asia-Pacific, and Americas) with their respective Regional Assemblies;

- *Sectoral Organizations*: The International Co-operative Agricultural Organization, the International Co-operative Banking Association, Consumer Co-operatives Worldwide, the International Co-operative Fisheries Organization, the International Health Co-operative Organization, Co-operative Housing International, the International Cooperative and Mutual Insurance Federation, the International Organization of Industrial, Artisanal and Service Producers' Cooperatives;

- *Thematic committees*: Committee on Co-operative Research, Communications Committee, Human Resource Development Committee, Gender Equality Committee [15].

In 1920, was established **the World Confederation of Labor (WCL)** initially known as the International Confederation of Christian Trade Unions, to represent the interests of Christian labor unions in Western Europe and Latin America. In 1968, Organization was transformed into the World Confederation of Labor (WCL), leaving the confederation's strictly Christian ideology of the past. As a process of globalization began to develop the WCL increased its efforts to carry out global unification of labor movement. In 2006, the WCL merged with International Confederation of Free Trade Unions (ICFTU) to form **the International Trade Union Confederation (ITUC)**. ITUC is the global forum of working people, the main international trade union organization, the main task of which is to promote and defend rights and interests of working people through international cooperation of trade unions and advocacy within the major global institutions. It embraces about 180 million workers in 162 countries and territories.

The ITUC follows the principle of trade union democracy and independence as set out in its Constitution. Its governing bodies are *World Congress* (meets every four years), *General Council*, and *Executive Bureau* headed by *Secretary-General*. The ITUC has several regional organizations (the Asia-Pacific, African, and American Regional Organizations). It cooperates with the European Trade Union Confederation works closely with the Global Union Federations, with the Trade Union Advisory Committee to the OECD (TUAC), with the International Labor Organization, and with several other UN Specialized Agencies.

World Federation of Trade Unions (WFTU) was founded in 1945 in Paris right after the creation of UN and has proclaimed goals (fixed in its Constitution) that were much like the objectives of the UN. The WFTU has proclaimed aim to bring together trade unions across the world in a single international organization to ensure freedom, peace, democracy and prosperity for all humankind, to overcome all forms of domination, colonialism, exploitation and oppression. In the opinion of the founders the unity of governments alone, in the form of the United Nations, was not enough to achieve peace and freedom. For this is needed unity of the working masses, all wage earners on a world scale. WFTU from its inception was socialist-oriented; it was made up primarily of unions affiliated with Communist parties. One of the basic principles of WFTU is to keep independence from governments, political parties, and employers.

During 1945-1949 WFTU has successfully developed in terms of membership and of influence all over the world. But in the late 1940s with the beginning of cold war the trade union movement was affected by the politics of confrontation, was seriously weakened and divided. In WFTU arose political contradictions, a large number of non-communist trade union federations has seceded and established rival ICFTU, which started actively recruit new members from developing countries. Following the collapse of socialist system, the ICFTU membership has risen substantially (from 87 million in 1988 up to 100 million in 1992) insofar as trade union federations from former socialist countries joined the ICFTU. But in 2006 ICFTU ceased to exist by merging with the World Confederation of Labor (WCL) to create the International Trade Union Confederation (ITUC).

So in the 1990s, the WFTU went into decline. But later in 2000s it reinvigorated its activity by putting focus on regional trade unions in the Third World, by organizing campaigns against imperialism, racism, poverty, environmental degradation and exploitation of workers under capitalism. In 2006, its headquarters was relocated from Prague to Athens. The WFTU devotes much of its energy to organizing conferences, issuing statements, and producing educational materials and courses for trade union leaders. The largest WFTU affiliates are now in the developing nations of Asia, Latin America, and Africa. But in recent years several trade unions from developed countries also joined WFTU (from Greece, Italy, Japan, UK, and France). WFTU in 2011 comprised 78 million workers of 210 trade union organizations, from 105 countries. A friendly tie with WFTU maintains the All-China Federation of Trade Unions. The WFTU

holds consultative status with the Economic and Social Council of the UN, UNESCO, the ILO, FAO, and other UN agencies.

Governance structure of WFTU includes: *Secretariat* headed by *General Secretary*; *Presidential Council* (President and 15 Vice-Presidents), *Special Committees* - Finance control committee, Youth committee, Women's Committee; regional Offices (Africa, Asia-Pacific, Europe, Latin America and Caribbean, Middle East, North America). Decisions of the statutory bodies of the WFTU are adopted by a simple majority. A two-thirds majority is required if the issue concerns: amendments to the WFTU Constitution; the establishment or modification of its Program of Action, the adoption of its budget [16].

An important role in international economic relations and trade play the chambers of commerce and chambers of commerce and industry, which are bringing together the business community and individual firms in many countries. In 1919 in Paris was founded the **International Chamber of Commerce**, in 1966 was created the **Confederation of Asia-Pacific Chambers of Commerce and Industry**. These organizations unite national centers of Chambers of Commerce and Industry. On them we shall discuss in more detail later.

Special kinds of INGEO represent "**international clubs**". The most famous of them is the **London Club**, which brings together representatives of the largest private bank creditors and the **Club of Rome** (1968), which has a wide range of interests, including those in the socio-economic sphere.

5.2. International associations of entrepreneurs

This group includes most INGEOs. Among them - the International Cooperative Alliance and the Union of International Fairs, World Council of Credit Unions, the International Association of Oil & Gas Producers, Association for Resistance to Unfair Competition and others. Clubs are also appropriate to be included into this group. After the World War II, when the process of integration have accelerated, begun to emerge Organizations, which unite the representatives of transnational corporations (TNCs), of large business, of politicians at global and regional levels. These organizations closely interact with such associations as the group "of Seven", the group "of Ten", and with others. To such non-governmental organizations belong, in particular: the Trilateral Commission, the International Business Congress, the International Association for the Protection of Industrial Property, the Pacific Economic Cooperation Council, the Association of Development Financing Institutions in Asia and the Pacific.

Let us consider most important non-governmental organizations in this group.

5.2.1. The Club of Rome (Rome Club), as already noted, is not a purely economic organization. The sphere of its interests, beside the economic and social issues includes the environment and some areas of scientific and technical forecasting. Emergence of Club in 1968 is connected with the name of a prominent businessman, member of the leadership of company "Fiat" Aurelio Peccei. As an

educated man who is not indifferent to the future that awaits humanity, he gathered around him a 30 outstanding European and US scientists to solve urgent social problems. Subsequently, the number of scientists has reached 100, and it was decided that club should be limited to this number. On the basis of interesting studies, carried out by members of club, were published several works that became an outstanding event in the scientific world and in social life. Among them: "Mankind at the Turning Point: The Second Report to the Club of Rome" by M. Mesarovic, E. Pestel, "The Limits to Growth" by D. H. Meadows, J. Randers, D. L. Meadows and others. Researches carried out by scientists of the Club of Rome proved the necessity for limitations of economic growth because according to their predictions in the future will be undermined the resource base of the economy, and mankind can face imminent threat of environmental disaster.

The Club has no fixed budget, because that would impose restrictions on freedom of its activities.

An activity of the Club of Rome aims to conduct studies of contemporary global problems in order to help policy makers and the public in adoption of new attitudes and strategic directions of further development of mankind.

As one of its main objectives the Club of Rome originally has considered attraction of the attention of world public to global problems by means of his reports. Club specifies only theme of the report, and guarantees financing of the scientific research but in no case does affect the course of the work, or its results and conclusions; authors of the reports, including those who are members of Club, enjoy full freedom and independence. After receiving ready report, the Club considers and approves it, usually during the annual conference, often in the presence of the public - representatives of the public, of science, of policy makers, media - and then disseminates the research results by publishing reports and carrying out discussions targeting different audiences in various countries.

The Club of Rome organizes large-scale studies of a wide range of issues, but mainly in the socio-economic field. The Club of Rome initiated research works on issues called "global problems". For answering a number of outstanding questions the Scientists of Club have created a whole series of "Reports of Club of Rome" under the title "The Predicament of Mankind". The forecasts of prospects of the world were formed on the basis of computer models, and the results were published and discussed worldwide.

Club of Rome and now continues the study of the current state of the world in which happened fundamental changes, especially in geopolitics, it should also remember that the ecological situation in the world continues to deteriorate.

The status of honorary member of the Club was awarded to the famous Ukrainian scientist, Academician Boris Paton NASU President.

5.2.2. The London Club unlike the Paris Club is a non-governmental organization, but it builds its relationship exactly with governments. It unites those banks which are the largest creditors of debtor nations. Within the London club governments of such countries enter into agreements with banks on debt

restructuring, a condition for which is acceptance by the country of the IMF's program of structural adjustment of the economy [17, p. 305].

The members of the London club are about 1,000 banks from different countries.

The interests of creditor banks in the London Club are presented by the Bank Advisory Committee (BAC) that represents those banks, which account the maximum debt of certain country. The agreement reached between the debtor countries and the Committee must receive the support of banks, which account for 90-95% of the unliquidated obligations of the debtor, and only then the agreement can be formally signed.

5.2.3. The Trilateral Commission was formed in 1973 with the participation of D. Rockefeller - the chairman of Chase Manhattan Bank. It combines about 376 representatives of large TNCs, political circles and economists from US, EU and Japan. The main purpose of the Commission is to promote close cooperation of entrepreneurs of developed countries.

The importance of the trilateral commission is confirmed by the fact that the former representatives of the Commission are always present at high political circles of the world, for example - Jimmy Carter, George Bush Sr., and Bill Clinton.

The governing body of the Trilateral Commission is the Executive Committee composed of 35 members. The Commission prepares reports with the analysis of economic and political problems facing by developed countries, works out recommendations on the solving of specific problems. The Commission's proposals are sent to the governments of individual countries. The Commission has a significant impact on government agencies of Western countries [18].

5.2.4. The International Business Congress (IBC) (formerly The European Business Congress, renamed in 2015) was established in 1997 [19]. It brings together representatives of the 37 OSCE member states; totally IBC has 51 members, they are representatives of European companies, associations, banks.

IBC main objectives:

- promotion of economic cooperation of OSCE's countries;
- facilitation of dialogue between the political and business circles;
- protection of the rights and interests of Organization's members, providing help to them for the improvement of efficiency of their activity.

The **functions** of IBC include: determining the trends in the development economic cooperation; preparing appropriate recommendations that are provided to the Secretariat of the OSCE and to the governments of the Member States; to promote the adoption of legislation that meet the interests of entrepreneurs; assistance in consolidating the resources of its members to implement joint economic programs; organization of conferences, symposia and seminars on actual problems of entrepreneurship.

As a member of IBC may be enterprises, unions and associations of enterprises. Each country of OSCE can be represented by not more than 10

members. Participation in IBC allows its members easier receive information, find business partners, and makes it possible to get support.

5.2.5. The Pacific Economic Cooperation Council (PECC) was founded in 1980 on the initiative of Australia and Japan. It brings together representatives of business, government officials and research centers in the sphere of economy from 23 states of the Asia-Pacific region. Its membership include [20]:

- 23 full Members - Australia ; Brunei; Canada; Chile; China; Colombia; Ecuador; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; Mongolia; New Zealand; Peru; Philippines; Singapore; Pacific Islands Forum (PIF); Chinese Taipei; Thailand; United States; Vietnam;

- one associate Member - France (Pacific territories);

- two institutional Members; Pacific Trade and Development Conference (PAFTAD); Pacific Basin Economic Council (PBEC)

The main goal of PECC is the practical addressing economic issues at the level of governments and business to enhance trade, investment and economic development in the region.

Functions of the PECC are: support of effective tripartite system that includes businessmen, government officials, researchers; forecasting of development of economic situation in the region; scientific researches in the field of business; development and implementation of programs of work to address the pressing issues in trade and investment.

The sphere of PECC activity covers: trade policy, capital markets, financial markets, human resources development, the small and medium enterprises, science and technology, the mining industry and energy, telecommunications, transport, tourism, food and agriculture, and fisheries.

PECC has observer status in the Asia-Pacific Economic Cooperation (APEC).

5.3. International Chambers of Commerce and Chambers of Commerce and Industry

In many countries, entrepreneurs are united in national Chambers of Commerce or Chambers of Commerce and Industry to implement the agreed policy, mainly concerning the relations with governmental bodies and to jointly addressing economic problems arising in the course of their activities. At the international level most national committees are included into the International Chamber of Commerce (ICC); the business communities of the Asia-Pacific region are united in the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI).

5.3.1. International Chamber of Commerce (ICC) was formed in 1920 and unites more than 1.6 thousands of associations of entrepreneurs. This is the national chambers of commerce and industry, federations of employers, the associations of bankers. On an individual basis the ICC includes more than 6 thousands of large industrial and trading companies. At present ICC is largest

global business organization, comprising hundreds of thousands of member companies and associations in more than 180 countries [21].

The principal objective of the ICC is to promote entrepreneurship in the world by encouraging trade, free movement of capital, open markets. Achieving of this goal is realized through the adoption of effective measures in economic and legal areas for the harmonious development and free trade, through the system of protection of private enterprises.

The main functions of the ICC are: draw attention of governments to the problems of business; working out recommendations to the summit of the "Group of Seven"; presentation of the ICC member's position to the UN and its specialized institutions; resolution of disputes in international business; development of a code of conduct in business; the fight against economic crime. ICC considers issues relating to entrepreneurship, banking, protection of environment, financial systems, insurance, transport, taxation, foreign investment, intellectual property, marketing, trade policy.

In the preparing of ICC policy statements and developing unified standards, codes, regulations and other mechanisms of doing business, which are recognized throughout the world, are involved the members of 16 standing committees and advisory groups established on an industry basis of business areas. Among the documents of the ICC such as "Incoterms" (unified trade terms of the ICC), "Unified rules and customs for Documentary Credits" (UCP 500), "The ICC Rules of Arbitration", typical international contracts and many others, which are periodically reviewed by members of the committees for the purpose of introduction of any amendments that take into account the realities of the countries members of the ICC.

ICC's activity is closely related to many important international organizations, including UN, UN Economic and Social Council, the World Trade Organization (WTO), the World Intellectual Property Organization (WIPO), the International Telecommunication Union (ITU), the G7, G20 (G20 Advisory Group comprises top business leaders of major global corporations). It actively represents business *at global forums* on main problems of world development.

The Georgian National Committee of the International Chamber of Commerce (ICC Georgia) was established in 2002 with the aim to improving of business and investment climate in Georgia. In order to encourage the development of business skills among youth of Georgia ICC Georgia established its youth wing (ICC Georgia Youth). Currently ICC Georgia includes over 350 corporate and youth members and 27 business associations [22].

5.3.2. Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) was formed in 1966 as a regional organization of business circles of Asia and the Western Pacific. Its members include: *Primary Members* presented by the Chambers of Commerce and Industry of Australia, Azerbaijan, Bangladesh, Brunei, Cambodia, Georgia, India, Indonesia, Vietnam, Malaysia, Mongolia, Hong Kong, Nepal, Iran, New Zealand, Pakistan, Papua-New Guinea, Republic of Korea, Russia, Tajikistan, Taiwan, Turkey, Singapore, Thailand, Sri

Lanka, Uzbekistan, Philippines, Japan; *affiliate members* to which belong some Chambers of Commerce and Industry from China, Japan, Korea, Malaysia, Nepal, Georgia, Philippines, Russia [23].

The main objective of the Confederation is coordination of activities and cooperation among the Chambers of Commerce of the region. Specific objectives are: joint efforts to ensure favorable conditions for businesses, revival of trade in the region; improve the quality of services in the field of maritime transport, banking, insurance and tourism; promotion of joint ventures; protection of the interests of the business community of the region; maintaining relations with international organizations.

The main function of the Confederation is establishing relationships with government agencies to improve laws and regulations in the interest of regional economic community. To the functions of the Confederation belong also the collection and dissemination of information about trade and business; supporting training programs for staff of national chambers; implementation of research in areas of interest to businessmen, promoting trade relations between businessmen of the region.

Chapter 6. Intergovernmental Organizations on regulation in the field of industry, agriculture, transport and communications.

For a large number of international organizations the scopes of their competences are in the sectors of the economy - industry, energy, agriculture, transport and so on. The vast majority of such organizations belong to the UN system, but their activities are actually quite independent.

Some industry organizations are included in the OECD, but quite a few do not belong to certain global system (for example OPEC or the Bank for International Settlements). Intergovernmental organization of sectoral level today dominate in number; moreover, let us remember, that namely from such type of organizations began formation of modern system INGEO (International Postal Union, International Telecommunication Union, etc.).

6.1. Organizations on regulation in the field of industry and energy

This group includes the UN organizations (UNIDO and IAEA), organizations of OECD system (IEA and NEA) as well as an independent research center - CERN.

6.1.1. The United Nations Industrial Development Organization (UNIDO).

UNIDO was founded by the decision of the General Assembly UN in 1966; since 1985, it has the status of a special UN institution. UNIDO is subordinate to ECOSOC and coordinates its activities with UNDP. Formation of UNIDO is connected with the need to assist developing countries to overcome difficulties in the way of industrialization. So really, there is a connection between the purposes of UNIDO and UNDP; but UNIDO aims are narrower and more specific, they cover the area of industry and are focused on industrialization of developing countries.

The main objective of UNIDO is coordination of UN's efforts in promoting the industrial development and the cooperation in this area at the global, regional and national levels. The organization unites 173 members, among them – Georgia (since 1992).

UNIDO's main objectives are:

- industrialization of developing countries, overcoming their difficulties with the resources and infrastructure;
- assistance in carrying out reforms in countries in transition, including the privatization of industrial enterprises;
- providing technical assistance to developing countries.

In the 90's attention UNIDO also spread to countries in transition, which resulted in certain transformation of goals, but the main object of the Organization

activity still remain developing countries, especially the African. Among the UNIDO's priorities should be named following:

- primarily industrialization of Africa;
- help to SMEs;
- technical assistance to developing countries;
- industrial development in rural areas;
- spreading of industrial information, promotion of investments and technological progress;
- enhancing the competitiveness of industrial goods in developing countries;
- assistance in the effective use of national natural resources;
- environment and energy.

The special attention of UNIDO is paid to spreading in developing countries of modern methods of production, of programming and management, of the relevant information. Substantial amount of funding are allocated for the preparation of national personnel in industrial sector, UNIDO provides advisory assistance through conferences and meetings; by organizing meetings of representatives of industrial business, trade unions and consumers. Besides, groups of experts on specific sectors and on specific problems carry out consultations. Within UNIDO was created Bank of Industrial and Technical Information, which classifies technical documentation, especially in new technologies.

Technical assistance is also expressed in the provision to developing countries of material and financial resources, in supplies of industrial equipment, engineering-advisory services. Within the framework of technical cooperation can be distinguished the following components: agro-industries (food, leather, textile, wood); chemical industry (biotechnology, pharmacy, organic synthesis); machine building (electronics, metalworking, and agricultural machinery industry).

As already mentioned, in its activities UNIDO closely cooperates with UNDP. In developing countries, the representatives-residents of UNDP perform also functions of representatives of UNIDO. Directors of UNIDO's programs in respective countries act as their alternates. These directors also are the senior advisers to governments of developing countries on the issues of industrial development.

UNIDO's activities are accompanied by significant **financial costs** for development. The funds for financing come from several sources. The main part of costs is covered by UNDP. Other sources are: mandatory contributions of UNIDO's members; voluntary contributions of UNIDO's members. The expenses paid through mandatory contributions are called the Regular Budget. Expenditures that are covered from voluntary contributions are called Operational Budget. Regular budget is assigned to finance administrative and research activities of UNIDO. Costs of Operational Budget go to finance technical assistance. Out of the Operational Budget is formed the Industrial Development Fund; it is designed for rapid satisfaction of the financial needs of developing countries, in order to pursue their industrialization.

UNIDO headquarters is located in Vienna (Austria). The Organization provides information on industry, business and technology through its Industrial and Technological Information Bank (INTIB), using network INTIBNET with its some 600 focal points and nodes to accelerate the flow of information to developing countries.

6.1.2. International Atomic Energy Agency (IAEA) was founded in 1957 and is an autonomous organization within the UN system. The independent status gives the IAEA certain autonomy in solving problems that arise before it [24].

The main objective of the IAEA has two aspects:

- promoting the widespread use of nuclear energy for peaceful purposes;
- opposition to usage of nuclear energy for military purposes.

The formation of the Organization and determination of its main objective had occurred to the time when nuclear weapons and its usage have already become a reality. The world had already seen how terrible and destructive could be energy of atom. At the same time was demonstrated the possibility to use it for peaceful purposes; in 1954 was built the world's first nuclear power plant (in Obninsk). IAEA assumed the function of control of nuclear raw materials proliferation according to their intended purpose.

The main objective of the IAEA determines its basic goals and functions:

- guarantee to prevent that the help of IAEA (in the form of nuclear raw materials and information) was used for military purposes;
- promote the development of nuclear energy for peaceful purposes, the appropriate financial and technical assistance to countries that are in need of this;
- implementation of the a control system for the non-proliferation of nuclear weapons;
- promotion of scientific research in the field of nuclear energy and its practical use for peaceful purposes;
- providing information on all aspects of nuclear science and technology;
- consultations on problems of nuclear technology in practical situations;
- preparation of specialists on use of nuclear energy for peaceful purposes.

Total number of IAEA members at present makes 168 states (as of 2016). Georgia became the member of Organization in 1996. The management of Agency is located in Vienna.

One of the main functions of the IAEA is to use a system of safeguards to ensure that nuclear materials intended for peaceful purposes were not used for armament. The system of guarantees consists of three parts:

- reporting about using of nuclear materials;
- technical means of control over the storage of materials in containers;
- inspections.

Acceptance of guarantees is a voluntary matter. But if the state signed the Safeguards Agreement, it shall provide the Agency all information about the use of nuclear energy, scientific and practical work in this area, and to permit IAEA's inspectors access for control [25].

Guarantees apply to nuclear as well as to non-nuclear states which use nuclear materials for peaceful purposes (for example have the nuclear power plants working on imported raw materials).

All IAEA Member States are subject to inspection with the exception of the great powers. But on a voluntary basis USA, Russia, China, France and United Kingdom also placed some of its nuclear facilities under Agency safeguards. Agreement on safeguards with the IAEA shall conclude states that do not have nuclear weapons, but are the parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (Treaty of Tlatelolco) or South Pacific Nuclear Free Zone Treaty (Treaty of Rarotonga).

Technical assistance is another important area of IAEA's activity. It is intended for the establishment and development of national systems of nuclear power for peaceful purposes. Technical assistance includes:

- providing expert services;
- training of national personnel in the field of nuclear energy;
- supply of equipment for nuclear power plants and research laboratories.

Technical cooperation is funded by IAEA's Technical Assistance and Co-operation Fund (TACF) and by UNDP funds.

Among the functions of the IAEA are also following: the development of plans for nuclear safety; the disposal of nuclear facilities; the protection from radiation; the use of nuclear materials (isotopes, etc.) in medicine, pharmaceuticals, agriculture; theoretical research in the field of nuclear physics, radiobiology and others. The IAEA is the sponsor of the International Centre for Theoretical Physics (ICTP) in Trieste (Italy), has marine environment laboratory in Monaco. Agency disseminates information about the possibility of using of nuclear energy for peaceful purposes. In particular together with OECD Nuclear Energy Agency (NEA), it publishes book «Uranium: Resources, Production and Demand (The Red Book)», providing information on uranium resources, production and demand. IAEA also offers a series of programs and services for safety measures at nuclear power plants [26]. These programs are particularly important since the Chernobyl disaster.

6.1.3. The Nuclear Energy Agency (NEA) is a specialized agency within the Organization for Economic Co-operation and Development (OECD) [27]. Being founded in 1958, initially it was called the European Agency for nuclear energy. In 1972 NEA out of regional organization transforms into global. The existence of yet another agency on atomic energy, along with the IAEA's, is fully justified, because the share of OECD countries in production of energy on nuclear power plants is about 80%. Furthermore, unlike the IAEA, the Nuclear Energy Agency is focused on the rational use of atomic energy for peaceful purposes; its functions do not include control over military use of nuclear raw materials.

The main objective of NEA is to promote cooperation among OECD countries in the field of nuclear energy. The leading idea here consists in approach to the nuclear power as to a safe and cost-effective source of energy.

The goals of the Agency are:

- coordination and regulation of policy of atomic energy use in Member States;
- analysis of nuclear energy's place within the global energy system;
- facilitation of exchange of scientific and technical information in the field of nuclear energy;
- organization of international research and scientific programs.

The NEA's current membership consists of 31 countries in Europe, North America and the Asia-Pacific region, and includes all OECD countries except New Zealand.

The main activities of the NEA are: research of trends in development of nuclear energetic; security of nuclear facilities; protection from radiation; recycling of nuclear waste; legal aspects of the operation of nuclear facilities; development of information programs in the field of nuclear energy for non-member countries.

The agency cooperates with the IAEA and with the European Commission of the EU.

NEA's Standing Committees are subsidiary bodies. They develop programs for the Executive Committee, and specialize in the following areas: the development of nuclear energy and the fuel cycle; regulation of activities in the field of nuclear energy; nuclear safety equipment; protection from radiation and health.

The agency carries out educational and information work. It organizes seminars, symposiums, conferences on the peaceful use of nuclear energy. In its framework operates Databank on nuclear energy. NEA organizes regular scientific and technical publications.

6.1.4. International Energy Agency (IEA) is an autonomous body of the OECD [24]. It was founded in 1974 as a means of overcoming the energy crisis that broke out in the early 70's. Unlike the Nuclear Energy Agency (NEA), the International Energy Agency extends its attention to all kinds of energy, not just on atom energy.

The main purpose of IEA is to regulate the energy market of the Member States, to ensure its stability and prevent energy crises. In this regard the most important objectives of the Agency are:

- improvement of the balance of demand and supply on the world market of energy;
- ensuring economic security of exploitation of energy facilities;
- providing timely information on the oil market and other energy sources;
- cooperation with non-member countries and international organizations in order to resolve the energy problems of a global nature.

Much attention in IEA activity is paid to the use of different energy sources, and to search of ways to implement in practice of alternative, environmentally

friendly energy sources. IEA conducts research on fuel efficiency to reduce the proportion of oil in world energy balance because its reserves are limited.

6.1.5. European Council for Nuclear Research (CERN) was founded in 1954. This is the research organization, which is closely linked to the development of nuclear energetic. Abbreviation CERN comes from its original name in French: Conseil Européenne pour la Recherche Nucléaire. At present CERN have 22 *member states*. Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, Austria, Spain, Portugal, Finland, Poland, Czech Republic, Slovak Republic, Hungary, Bulgaria, Israel and Romania. Serbia and Cyprus are *Associate members in the pre-stage to membership*, and Turkey and Pakistan are *Associate members*. *Observer states* and organizations currently *involved in CERN programmes* include the European Commission, India, Japan, the Russian Federation, UNESCO and the USA. Non-member states *with co-operation agreements* with CERN include Algeria, Argentina, Armenia, Australia, Azerbaijan, Belarus, Bolivia, Brazil, Canada, Chile, China, Colombia, Croatia, Ecuador, Egypt, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Iceland, Iran, Jordan, Korea, Lithuania, Malta, Mexico, Montenegro, Morocco, New Zealand, Pakistan, Peru, Saudi Arabia, Slovenia, South Africa, Ukraine, United Arab Emirates and Vietnam [28].

The main purpose of the CERN is the promotion of cooperation among European countries in the field of nuclear research. The emphasis is put on fundamental researches. This objective determines subsequent tasks of the Organization:

- rejection of any activity for the purposes of nuclear armament;
- creation and exploitation of international laboratories for the study of high energy particles;
- publications and providing access to the results of experiments.

CERN mainly deals with nuclear physics. Its physicists and engineers are probing the fundamental structure of the universe. CERN has the world's largest and most complex scientific instruments needed for high-energy physics research (among them the Large Hadron Collider – LHC), to study the fundamental particles. CERN organizes seminars, lectures, trains specialists in nuclear physics. Here are functioning: "The Accelerator School", which holds training on accelerator physics, "The School of Computing" which provides advanced training in scientific computing (CERN is known also as birthplace of the World Wide Web), Schools of High-Energy Physics.

6.2. Organizations for regulation of in the field of agriculture and food

This group includes the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP), and the International Fund for Agricultural Development (IFAD). All of them belong to the UN system. Their headquarters located in one city – in Rome, which facilitates the coordination of joint actions of these organizations. These organizations have a common goal: to eliminate hunger in the world and increase the level of nutrition through the

development of agricultural production. So these three agencies closely work together, having common vision of promoting world food security.

6.2.1. The Food and Agricultural Organization of the United Nations (FAO) is one of the oldest specialized UN's institutions. It was founded yet in 1945, and at present consists of 197 members comprising 194 member nations, one member organization (EU) and two associate members (Faroe Island and Tokelau) [29].

The main goal of FAO is the elimination of hunger and the improvement of nutrition, ensuring good nutrition and food security for all. Achieving of this goal is seen through increased productivity of agriculture, fisheries and forestry and through the equitable distribution of food. Movement to that goal logically presupposes the development of rural areas and improvement of the lives of the rural population.

FAO's Functions:

- development and implementation of assistance programs in agriculture;
- advising of governments on agriculture's policy and planning;
- analysis and dissemination of information on the agriculture and food situation in the world;
- discussion at intergovernmental level the food and agriculture problems.

A special attention is paid to the rational use of land, water, and biological resources. This presupposes the measures against erosion, salination and water logging of soils; on efficient use of irrigation systems; measures to conserve the genetic stock of biological resources, especially of forests and fish. FAO develops and implements programs of investment in agriculture.

FAO's assistance aid is directed primarily to developing countries; exactly to them is given the mass of technological documentation, the consultations on advanced production methods in agriculture.

FAO develops and implements two types of assistance programs for developing countries:

- scheduled programs financed by FAO and aimed at organizing consultations and services to members of the organization;
- local programs, financed by the national trust funds, UNDP and FAO, that provide assistance to governments and rural population.

The sources of funding the programs implementation are: contributions of member states; trust funds of members; UNDP; contributions of the World Bank.

FAO implements also a large information program in the field of food and agriculture helping developing countries modernize and improve their agriculture, forestry and fisheries practices. In Rome located the world center of agricultural information, which concentrates the great amount of data in this field. FAO's information system is divided into two areas:

- Global information system on food and agriculture (information about negative developments in the field with a view of their preventing or disposal);
- The system of geographic information (data on land, water and biological resources).

FAO organizes regular conferences on problems of food and agriculture. Among them: the World Food Conference (1974); the International Conferences on Nutrition (1994, 2014); the World Summits on Food Security (1996, 2009).

6.2.2. The World Food Programs (WFP) is the world's largest humanitarian organization fighting hunger worldwide and promoting food security [30]. WFP is UN's agency, it was founded in 1962 with **the purpose** to provide food aid to countries that have low level of economic development or suffered from the disaster. Each year the Organization distributes the food for 90 million persons in 80 countries.

The WFP's assistance is implemented through activity of national governments to which it is directed. Deliveries of WFP's foodstuff and funds are carried out through donor countries. The WFP's operations are **funded** by voluntary donations (in form of money and food products) from governments, corporations and private donors. In its activities, WFP collaborates with FAO, IFAD and UNDP as well as with a large number of national and international NGOs. In order that food assistance was stable and did not depend on accidental circumstances, WFP established **the International Emergency Food Reserve (IEFR)**, which controls required food reserves; these reserves are stored in donor countries and in case of emergency instantly are available to the WFP.

WFP influences the prices on the world market. When prices for grain are high, but the grain is lacking, a WFP from its stockpiles offers it on the market at low prices. The funds received are used to purchase food.

To exercise control over food situation in the world at WFP operates the International Food Aid Information System (INTERFAIS).

6.2.3. The International Fund for Agricultural Development (IFAD) is a specialized UN agency that was founded in 1977.

IFAD's **main objective** is to promote agriculture in developing countries to overcome hunger and poverty.

IFAD's functions are:

- providing loans and credits on favorable terms for the projects and programs to improve food production in member countries;
- financing of rural development and human settlements;
- provide financial assistance to small farmers and landless peasants in developing countries.

IFAD at present has 176 Member States. The members are divided into follow categories: category A (list A)– 25 primarily OECD members; category B (List B) - 12 primarily OPEC members; category C (List C) – 140 primarily developing countries. List C subdivides into three sub-lists: C1 - countries in Africa - 50; C2 - countries in Europe, Asia and the Pacific – 58 (including Georgia); C3 - countries in Latin America and the Caribbean – 32. From the post-Soviet states, the members of the Fund are: Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan (all are included in list C2) and Russian Federation (List A) [31]. Countries of categories A and B are donors of

the Fund, countries of category C - its beneficiaries. The contribution of donor countries is the main source of IFAD's financing.

The Fund finances projects and programs that are worked out for developing countries and are aimed at accelerating the development of agriculture, solving the food problem. **The Projects** cover the following main areas: agricultural development; rural development and human settlements; crediting; melioration; animal husbandry; processing of agricultural products; training; fishing; storage and marketing of products.

The fund provides loans on concessional and ordinary terms. The preferential interest-free loans are provided with 50-year maturity, and with the beginning of maturity in 10 years.

Therefore, we can see differences in directions of activities of FAO, WFP and IFAD. The FAO is dealing with the comprehensive issues of food and agriculture; the WFP mainly focuses attention on food distribution; and IFAD mostly pays attention to agricultural development.

6.3. Organizations for Regulation in the field of Transport and Communications

To this group belong: the International Maritime Organization (IMO), the International Civil Aviation Organization (ICAO), the Universal Postal Union (UPU), the International Telecommunication Union (ITU); the International Transport Forum (ITF); and regional industry organizations: the European Civil Aviation Conference (ECAC), and the European Organization for the Safety of Air Navigation (EUROCONTROL). The formation of these organizations is been caused by the need of close cooperation and coordination of action to ensure accurate and flawless functioning of transport and communication that already becomes global.

6.3.1. The International Maritime Organization (IMO) founded in 1958. IMO is a specialized agency of the UN, which includes currently 172 Member States (among them – Georgia, since 1993) and 3 Associate Members [32].

The main objective of IMO is to promote international cooperation in the field of maritime transport and maritime trade, and establishing a regime of security. This objective determines following tasks: cooperation and exchange of information between governments on technical issues concerning international merchant shipping; assistance in the development and adoption of standards and regulations on maritime safety and marine navigation; prevention of pollution of seas and oceans; the abolition of discriminatory action and restrictions in international shipping.

Functions of IMO:

- development and adoption of the Convention on navigational safety and prevention of pollution of the oceans;
- development and adoption of recommendations on various issues of international shipping (freight transport; technology; the environment; search and rescue operations at sea; radio communication; staff training);

- development of technical cooperation programs between the member countries;
- discussion of topical problems of international shipping and distribution of information on latest achievements in technology and management of navigation.

In 1978, the IMO established the World Maritime Day to draw attention to the issue of safety at sea and preservation of marine biological resources. Other measures within the IMO relate to the security of containers, bulk cargo, of tankers for the transport of liquefied natural gas and other types of vessels.

Special attention Agency pays to the standards of training of crewmembers, including adoption of a special International Convention on the training of seafarers and obtaining by them Diplomas as well as on issue of watch keeping.

IMO's headquarters is located in London.

6.3.2. The International Civil Aviation Organization (ICAO) set up in 1947. It is also one of specialized institutions of the UN system. ICAO includes 192 Member States (Georgia is among them). The Agencies headquarters is located in Montreal (Canada).

The main objective of ICAO is to create conditions of security for international flights, coordination of Member States activities for flawless operation of the system of global air transport.

ICAO's tasks are following: to promote the construction of civil aircrafts and their operation; meet the needs of population in safe, regular and quick transportations by air transport; improving of air transport use efficiency through simplification the procedural formalities (customs, sanitary and immigration requirements for border crossing); promoting the flight safety.

Functions of ICAO:

- Development of international standards, guidelines and practical measures on safety, regularity, and efficiency of air transport;
- Development of rules of flights and compiling aeronautical charts;
- Management of aviation systems telecommunications (radio frequency);
- Assistance the developing countries in creation and operation of its own air transport systems;
- ensuring of flight control systems, formation of networks of meteorological stations and radio beacons, search and rescue organizations and means.

ICAO has **regional offices** in Bangkok (with sub-office in Beijing), Dakar, Cairo, Lima, Mexico City, Nairobi and Paris. They contribute to the development of civil aviation in the regions, advise the governments of the Member States on technical, legal and commercial issues of air transport, and cooperate with the national Civil Aviation Organization [33].

6.3.3. The International Transport Forum (ITF) is an inter-governmental organization within the OECD system, which acts as a "think tank" for global transport policy issues, covering all transport modes. Its roots lie in the European Conference of Ministers of Transport (ECMT), which emerged in 1953, and in 2007, when the scope and geographic reach of transport activities widened, has

transformed into the International Transport Forum. The Forum's Secretariat located at the OECD's headquarters in Paris, France. Its administrative subordination to the OECD has formed at that time when the latter was yet European regional organization. The extraordinary density of transport network in the region and heavy traffic of all modes of transport are explanations for the establishment of a special organization for transport regulation exactly in Europe.

From the 90th, ECMT starts to show an active interest in bringing the countries of Central and Eastern Europe into the European transport network, into the European "transport market". In 1994 on the island of Crete took place the second Pan-European transport Conference, which adopted declaration on promoting of such integration. The Conference defined ten Pan-European transport corridors ("Crete corridors" or «Helsinki corridors") as trade routes in Central and Eastern Europe that required major investment. One of the problems of the pan-European transport integration is adaptation of East European transport standards and regulations to the West European norms.

At present the International Transport Forum brings together 59 member countries, among them - Georgia [34].

The main ITF's **activities** concentrate around such issues: transport policy and investment in the transport sector; development of the transport infrastructure; problems of road, rail and river transport; urban transportations; road safety and road safety rules; transport and the environmental sustainability; application of new technologies in transport.

ITF organizes global dialogue for better transport, it works to facilitate the international exchange of information, to improve the capacity for decision making in member countries, to promote exchange among transport decision-makers and civil society. Its activities is underpinned by economic research, statistics collection, and policy analysis, carried out by Joint Transportation Research Centre, which maintains the International Road Traffic and Accident Database (IRTAD) - a comprehensive database of statistics related to road safety. Every year, in Leipzig (Germany) ITF organizes the Summit which brings together the ministers of transport from member countries to debate a specific, transport-related theme [34].

6.3.4. The European Civil Aviation Conference (ECAC) is a regional intergovernmental organization, founded in 1955 by the ICAO and the Council of Europe to harmonize civil aviation policies and practices amongst its member states. Currently it is composed of 44 Member States (including Georgia) [35]. ECAC maintains close relations with ICAO and EUROCONTROL.

The ECAC's main objective is coordination, effective use, and safety of aviation in Europe. The existence of the Conference caused solely by density of air transport network in the region. Air traffic in Europe reached its saturation limit, creating the problem of free air routes, as well as airports, especially during peak hours. Therefore, control and coordination in the air transportation becomes increasingly urgent.

ECAC's functions are mostly advisory. Organization studies the situation with air transport, defines the problems, and makes recommendations to member countries for their solution.

In the process of developing of the main goal, ECAC carries out measures to create a single Pan-European air navigation system. This means, in particular, the adoption of common standards, unification of exploitation rules of the air transport, implementation of common technical norms, as well as creation of a single governing body of air traffic in Europe. Thus, in 1990, ECAC adopted the European Air Traffic Control Harmonization and Integration Programme (EATCHIP) to undertake the progressive harmonization and integration of Air Traffic Services throughout the ECAC area. The EATCHIP program had four main objectives: increasing air traffic safety; better (more effective) use of European airspace and airspace of respective states; better quality of air traffic services; decreasing costs of service and infrastructure maintenance.

6.3.5. The European Organization for the Safety of Air Navigation (EUROCONTROL) is the civil and military intergovernmental organization, founded in 1963, which at present counts 41 Member States from across Europe. Georgia joined to EUROCONTROL in 2014. The headquarters of EUROCONTROL is located in Brussels (Belgium) with specialized offices in France, Luxembourg, and Maastricht. In is the *central* organization for coordination and planning of air traffic control for all of Europe, coordinating its activities with ECAC, NATO, European Commission [36].

The EUROCONTROL's **main objective** is to promote cooperation between member countries in achieving safety in the airspace, in the development of a uniform pan-European Air Traffic Management (ATM) system, embodied in the concept of a Single European Sky (SAS). Unlike ECAC, the EUROCONTROL not only harmonizes the activities of national civil airlines, but also coordinates them with the operations of *military aviation*. Its main objective presupposes the connection of freedom of air communication with the needs of defense. EUROCONTROL has developed a computer system, combined with the satellite navigation system, which provides flawless aeronautical data, and allows distinguishing in time the flights of civilian and military aircrafts.

A EUROCONTROL activity is financed by contributions from Member States and the payments for air navigation services. The Organization signed an agreement with member countries on the payment of special taxes for such services.

6.3.6. The Universal Postal Union (UPU) is the third oldest (after the Rhine Commission and the ITU) international organizations. The year of its creation (initially under the name “the General Postal Union”) is 1874. After the foundation of the United Nations, the UPU became a specialized agency of the UN that coordinates postal policies among member nations.

The emergence of UPU was determined by the development of global international relations, which required, respectively, global information system. The first such system became the global postal network. The **main UPU's objectives** are: coordination and facilitation of the international mail; setting the common standards, norms, rules for international mail exchanges; setting tariffs for international mailings; giving technical assistance to Member States in this field; the settlement of disputes between members of the Union. The international Standards of mailing (important prerequisites for effective functioning of the global postal network) develops special UPU's body - Standards Board.

Activities of UPU are based on the Constitution and the General Regulations, the Universal Postal Convention, the multilateral Agreements on different types of services. These agreements are binding for all member states. UPU's members form a single postal territory under the name "Universal Postal Union". This area is characterized by three principles: the spatial unity; freedom of transit; uniform tariffs. The important prerequisites for effective postal operations and functioning of the global network are international Standards, which are developed by UPU's Standards Board.

The UPU currently has 192 members (190 states and 2 joint memberships of dependent territories groups). Georgia is a member country of the UPU since 1993.

The UPU headquarters is located in Bern (Switzerland). The UPU's official language is French (English is working language, added in 1994).

In addition to the mail, UPU provides financial services (postal orders, payment of the money checks, services of savings banks). The Union to some extent controls the release of postage stamps; he adopted a kind of "Philatelic code of honor" with respect to the images on the stamps (they should not be offensive to other countries should be based on universal moral principles, etc.) [37].

6.3.7. The International Telecommunication Union (ITU) is one of the oldest intergovernmental organizations in the world. It was founded in 1865 at the International Telegraph Convention (initially was called the International Telegraph Union) when the development of telegraph communication has posed an urgent task of unification of means and methods of operation of the telegraph in the global context. Subsequently, radio and other means of telecommunications emerged. The Organization has received its present name – the International Telecommunication Union - in 1934. At present, ITU is the United Nations specialized agency, a member of the United Nations Development Group (since 1947). It is responsible for issues that concern information and communication technologies. The founding document of the ITU was the International Telegraph Convention (1865), which after several amendments currently has the title the Constitution and Convention of the International Telecommunication Union.

ITU since its inception was practicing the international cooperation between governments (Member States) and the private organizations. So currently ITU in addition to 193 Member States (all UN Member States, plus Vatican City), includes almost 800 private-sector entities, and among them the regulators of

information and communication technologies (ICT), tech companies, world's largest manufacturers, many leading academic institutions, research and development organizations [38]. Headquarters of ITU is located in Geneva (Switzerland).

The main objective of the ITU is ensuring the effective functioning of the telecommunications network and expansion of international cooperation in its use. ITU is the single global organization embracing all players in this field. The international telecommunications network is the largest and most sophisticated engineering feat ever created. It is dynamic and fast growing sector. Virtually every facet of modern life depends on information and communication technologies (ICTs): Internet, radio, TV, mobile phone, tablet computer, satellite services and so on. ITU is located at the very heart of the ICT sector and **manages varies aspects of the communication matters:**

- coordinates the allocation and use of global resources like radio-frequency spectrum and satellite orbital frequencies to create a reliable global communications system;
- assists in the development and coordination of worldwide technical standards and protocols for global telecommunications;
- spreads information about new communication technologies;
- organizes the technological education and training;
- provides technical assistance to developing countries to improve their telecommunication infrastructure;
- organizes major events for the world's ICT community, exhibitions and forums, bringing together representatives of government and the telecommunications and ICT industry to exchange ideas, knowledge and technology. The ITU was one of the UN agencies (along with UNESCO, UNCTAD, and UNDP) responsible for convening the World Summit on the Information Society (WSIS).

Chapter 7. International organizations on regulation in the social sphere

This group includes quite a large number of organizations that have a clear social orientation of its activities. These are the: International Labour Organization (ILO), United Nations Educational, Scientific, and Cultural Organization (UNESCO), World Health Organization (WHO) United Nations Population Fund (UNFPA), United Nations Centre for Human Settlements (HABITAT), United Nations Children's Fund (UNICEF), United Nations Development Fund for Women (UNIFEM), United Nations World Tourism Organization (UNWTO) and others.

Most organizations of this group belong to the UN system. Let us consider most famous and influential organizations.

7.1. The International Labor Organization (ILO)

The ILO was founded in 1919 as an autonomous organization within the League of Nations; from 1946, it has become a specialized UN institution. It comprises 187 member States, including Georgia (since 1993). The ILO's headquarters is located in Geneva (Switzerland). The ILO distinguishes from other international organizations by its tripartite governing structure, which represents governments, employers, and workers.

The main objectives of the ILO are the promotion of social justice in the sphere of labor, protection of the interests of the working people on the bases of social partnership, improving of working conditions.

After World War II, the main objectives and principles of the ILO were confirmed and expanded in the Philadelphia Declaration, in which the emphasis was placed on broad cooperation with developing countries. In 1946, the ILO became the first specialized agency in the UN system. In 1969, in connection with the 50th anniversary of the ILO, it received the Nobel Peace Prize for improving peace among classes, pursuing decent work and justice for workers.

The ILO has four principal strategic goals:

- Set and promote standards and fundamental principles in the sphere of labor.
- Create greater opportunities for women and men to secure decent employment;
- Enhance the coverage and effectiveness of social protection for all;
- Strengthen the tripartism and social dialogue, the cooperation between governments, employers', and workers' organizations in fostering social and economic progress [39].

The ILO's functions are the following: normative activities; technical cooperation to help countries to implement labor policies effectively into practice; training, education, research activities, and publications.

Normative activity consists in working out of the international Conventions and recommendations on the regulation of working conditions, employment,

incomes, social security and basic human rights, as well as the labor management. The development of standards is a major area of ILO's activity. Governments of Member States are required to submit reports detailing their compliance with the obligations of the conventions they have ratified, on how they implement the ILO's Conventions, to what extent the national labor legislation conforms to standards of ILO. Among the conventions important place occupy the questions of wages, of working hours, of social insurance, of paid holidays, of labor recruitment service, of labor inspections. Conventions and recommendations of ILO form International Labor Standards, which is the basis of labor relations in member countries.

ILO's Conventions and Recommendations represent the acts of international legal regulation of labor. They are not international agreements and do not require ratification. Conventions and Recommendations are the calls to the states with a wish to include the relevant rules into the national legislation.

The conventions and recommendations of ILO cover practically all issues in the sphere of labor. To them belong some basic human rights, including freedom of association, the right to form organizations, as well as issues of labor relations, of employment policy, of labor conditions, of social insurance, of safety engineering and labor protection, of employment and the rights of migrants.

The situation of migrants in general is one of the main issues that are at the center of ILO's attention. Already the first session of the General Conference of the ILO in 1919 adopted the document, entitled "Reciprocity of Treatment Recommendation" (No.2) on this issue. The Migration for Employment Convention (Revised)" (No. 97), 1949, the Migrant Workers (Supplementary Provisions) Convention, 1975, and UN Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, 1990, are on guard of the rights of migrant workers [39].

According to this document, ILO member states are obliged to act without discrimination on the grounds of nationality, race, religion, or gender, and to provide the migrant workers with no less favorable conditions than to its own citizens in terms of wages, working hours, and social security. Migrants should be provided with housing, they have the right to participate in collective agreements. The services of employment organs for migrants are provided free of charge.

The "Migrant Workers (Supplementary Provisions) Convention" (No. 143), 1975 notes that member countries of the ILO have to develop and implement a national policy designed to promote and guarantee equality of opportunity with respect to labor and employment, social security for those who are in the country legally, both for migrants themselves, and for their families.

Technical cooperation consists in the development and implementation of projects on various aspects of labor relations in member countries. The most urgent political issues of the projects are: the training; the employment and development; the workforce planning; the labor market; the labor conditions; the social security; the labor relations; the education of workers; the rights of migrant workers; ILO

and the international trade union movement. To implement the technical projects the ILO sends the missions and experts to the respective countries.

The research activities of the ILO manifest itself in the preparing of the reviews of the situation in sphere of labor in individual countries and regions in the analysis of sectoral and regional issues of labor; in the evaluation of trends of social-economic development. ILO publishes reviews, publishes bulletins on labor relations.

The ILO's Member States periodically hold the regional meetings to study the issues of regulation of labor relations in various areas.

7.2. United Nations Educational, Scientific, and Cultural Organization (UNESCO)

UNESCO is a specialized agency of the United Nations, created in 1946 in the firm belief that political and economic agreements are not enough to build a lasting peace and sustainable development, which must be founded on humanity's moral and intellectual solidarity. UNESCO is known as the "intellectual" agency of UN. Its motto is "Building peace in the minds of men and women". People must rely on the power of intelligence to innovate, expand their horizons to sustain the hope of a new humanism. In an unstable world of global interconnectedness, the development of educational, scientific, and cultural fabric of societies guarantees their resilience and stability [40].

At present Organization includes 195 Member States (among them Georgia), and 10 associate members. Its headquarters is in Paris.

The main objective of UNESCO is to promote peace, security, intercultural dialogue, and sustainable development through international cooperation in education, science, culture, communication and information.

More specifically **the goals** of the Organization consist in the deepening of intercultural understanding of nations through protection of heritage and support for cultural diversity, development of intercultural competences; mobilizing efforts for public education; fostering the scientific cooperation, the development, and spreading of knowledge to strengthen ties between nations and societies.

The UNESCO's **functions** are the development and implementation of social programs; organization of international conferences on education, science, and culture; protection of monuments of history and culture; publications on education and culture.

UNESCO pursues its objectives by development and implementation of **programs and projects**, which are one of the main forms of Organization's activities [41]. There are *five* major program areas of UNESCO's activities: education, natural sciences, social and human sciences, culture, and communication and information.

In the *Education* sphere, UNESCO helps countries develop their inclusive education systems at all levels, which comprises several elements: Literacy for All, Education for All (EFA), Lifelong Learning Systems, Training of Teachers, Information and Communication Technologies (ICTs) in Education, and others. In

the city of Hamburg, Germany operates the UNESCO Institute for lifelong learning - UIL (formerly the UNESCO Institute for Education) [42].

The *Natural Sciences* Sector of UNESCO works to advance and promote science and international scientific cooperation in the interests of peace, sustainable development, human security, and well-being. UNESCO acts as a catalyst for the establishment of many scientific unions and bodies (such as CERN), of initiatives and programs with far-reaching implications for human security and well-being (such as “the Man and the Biosphere” (MAB) Programme), hosts and implements major international programs on natural disaster reduction, ecology, biodiversity, engineering, science education, climate change and sustainable development. UNESCO’s program "Science, Technology, and Society"(STS) envisages the promotion of scientific and technological culture in society, assistance in the management of science and technology, in ethics of science , and training of personnel.

UNESCO’s *Social and Human Sciences* Sector accomplishes fundamental humanist mission to enable people to create and use knowledge for building of just and inclusive societies, for understanding each other and building of lasting peace, for facilitate social transformations conducive to the universal values of peace, justice, gender equality, non-violence and non-discrimination freedom, and human dignity. UNESCO continues to build and reinforce linkages among ethicists, scientists, policy-makers, judges, journalists, and civil society to enact sound and reasoned policies on ethical issues in science and technology, in bioethics. One of the guiding functions of UNESCO is anticipation and foresight, keeping an eye on tomorrow to identifying possible futures and exploring new paths for action to tackle new emerging social and ethical challenges.

UNESCO’s activity in the *Culture* area is based on the idea that in today’s interconnected world, culture has great power to transform societies, that culture is the crucial factor of the economic and social development. The UNESCO works to protect culture; its projects in this field include the promotion and saving of cultural diversity, translations of world literature, and the preservation of the world cultural and natural heritage. Much work is carried out by Organization for the protection of monuments of history and culture of outstanding universal value; UNESCO took under protection more than 300 monuments of world importance, among them "Sophia of Kiev". Every two years the UNESCO sets a list of memorable dates devoted to celebrities and historical events in the field of education, science, culture, and communications. Monthly Organization issues the magazine "The UNESCO Courier" containing, in particular, a lot of interesting information about the cultures of the world [43]. Another aspect of UNESCO’s cultural activity consists in fostering creativity. The cultural heritage, as well as creativity lay the foundations for vibrant, innovative, and prosperous knowledge societies.

The *Communication and Information* Sector of UNESCO focuses on promoting freedom of expression, media development, and access to information and knowledge. The three principal strategic objectives of the Sector’s

programmes are promoting the free flow of ideas and universal access to information; promoting the expression of pluralism and cultural diversity in the media and world information networks; promoting access for all to ICTs [44].

The UNESCO attaches great importance to the dissemination of **information** on education, science, and culture. In that respect, UNESCO has been the centre of controversy in the past between the US, UK, Singapore on one side and the Soviet Union with its supporters from developing and socialist countries, on the other. In 1978, UNESCO adopted “Declaration on Fundamental Principles concerning the Contribution of the Mass Media to Strengthening Peace and International Understanding, to the Promotion of Human Rights and to Countering Racialism, apartheid and incitement to war” [45]. A large group of socialist and developing countries, headed by former Soviet Union has accused Western countries in promoting «informational imperialism and colonialism» and has launched a campaign for the creation of “the New World Information and Communication Order”. In these circumstances, UNESCO began to be perceived by some Western countries as a platform for communists and authoritarian leaders from the Third World for attacking the West. In 1984-85, the US, UK, and Singapore temporarily withdrew from the Organization in protest, accusing it of "excessive politicization". They also withheld their contributions to UNESCO's budget, which negatively affected it. Later these countries rejoined UNESCO (UK in 1997, US in 2003, and Singapore in 2007) [46].

7.3. The United Nations World Tourism Organization (UNWTO)

UNWTO established in 1975. It is heir of the International Congress of Official Tourist Traffic Associations (ICOTT), which was formed back in 1925.

UNWTO has a special status in the UN system. It is the leading international organization in the field of tourism. Inclusion of UNWTO into a group of organizations of social sphere is determined by the fact that tourism is a form of people's recreation. UNWTO's membership includes 157 countries, 6 Associate Members and 500 Affiliate Members, representing the private sector, educational institutions, tourism associations, and local tourism authorities. Georgia is a member of Organization since 1993 [47]. The headquarters of UNWTO is located in the Spanish capital Madrid.

The main UNWTO's **objective** is the development of international tourism as a means of promoting inclusive economic development, peace, environmental sustainability and understanding between peoples. Special attention by Organization is paid to the development of tourism in developing countries

UNWTO's **functions**:

- Provision of advices to member countries in the field of tourism (drawing up plans and projects; development of feasibility studies; transfer of technologies);
- Fostering cooperation between countries in the field of environmental protection;
- Promoting the quality of services in the tourism industry;
- Training of personnel for tourism business;

- Informational activities that consist in collection, analysis, and dissemination of information related to development of tourism.

UNWTO generates market knowledge, promotes competitive and sustainable tourism policies and instruments, fosters tourism education and training, and works to make tourism an effective tool for development through technical assistance projects all over the world. These activities manifest themselves in the design and implementation of the following main **programmes** [47]. *The Programme for "Destination Management"* works out strategies for tourism at local, regional, and national level to improve capacity of the destinations, and raise their competitiveness. *The Education and Training Programme* has the mission to improve the quality and efficiency of education and training in member countries in order to enhance competitiveness and sustainability of their tourism sector. *The Ethics and Social Responsibility Programme* implements the principles of *the Global Code of Ethics for Tourism* (GCET). According to these principles the tourist activity should contribute to mutual understanding and respect between peoples and societies, be a vehicle for individual and collective realization, a factor of sustainable development, of enhancement of mankind's cultural heritage, be beneficial for host countries and communities, and contribute to observance of the rights of the workers and entrepreneurs in the tourism industry. *The Information Resources and Archives Programme* aims to promote and facilitate access to tourism information for UNWTO Members and other institutional partners. *The Institutional Relations and Resource Mobilization Programme* (IRRM) develops partnerships and cooperates with UN institutions as well as with other international and regional organizations, and mobilizes financial and non-financial resources for Member States in need. *The UNWTO Knowledge Network* has the mission to stimulate the creation, dissemination, and application of knowledge in tourism. *The Tourism Market Trends UNWTO* aims to provide the information about market trends, effective techniques of tourism promotion, develops tourism forecasts. *The Resilience of Tourism Development Programme* aims to assess risks related to tourism development, to plan and implement crisis management systems. *The UNWTO Statistics and Tourism Satellite Account Programme* is committed to measurement of tourism development for furthering knowledge of the sector. *The UNWTO Silk Road Programme* is designed to enhance sustainable tourism development along the historic Silk Road route.

Chapter 8. International organizations in the field of world trade regulation

The world trade is now one of the most active forms of international economic relations. The deepening of the process of international territorial division of labor from the second half of the twentieth century resulted in an extraordinary acceleration of international trade.

If for a period of 40 years before the Second World War the volume of international trade has doubled, over the 50 post-war years it increased more than 30 times [48, p.138]. According to other estimates, just in a period from the 1960 to 1997, world trade increased in 41 times (in the current prices) and reached about 11 trillion dollars [49, p.25]. Thus, the average annual rate of growth of volume of trade turnover during this period exceeded the growth rate of world production.

The same trend is also seen at the beginning of the new century. With the exception of some years, the growth of international trade was higher than the growth rate of world GDP.

Such rapid development of world trade strongly depends on the formation in the second half of the twentieth century of the system of world trade regulation, which is based on the activity of international economic organizations. Even before the war were made attempts to create the mechanisms of coordination of national norms and rules of trade, which would lead them to a common standards in order to eliminate tariff and non-tariff barriers to the international movement of goods. Protectionism in international trade policy was the dominant form. Even in the late 40s - early 50s duty rate was 40%. Attempts to mitigate protectionist barriers have been made by the League of Nations and by some groups of countries, but they all failed.

Only beginning with the second stage of development of the system of international organizations (since late 40s) countries managed to develop and implement quite effective mechanism of world trade regulation. Suffice it to note that the average duty rate on goods decreased from 40% to 3% at the beginning of 2000. The major role in this process had played the GATT/WTO, UNCTAD, UNCITRAL, UN regional economic commissions, the International Chamber of Commerce. An important place in the world trade regulation belongs also to the intergovernmental organizations, which regulate the certain markets (OPEC etc.). The successful development of international trade relations largely depends on the constant help from the United Nations. The most authoritative organizations in this sphere - the WTO, UNCTAD, and UNCITRAL – belong to the UN system and the ICC maintains close relationships with it.

8.1. The World Trade Organization (WTO)

The World Trade Organization (WTO) is an intergovernmental organization that plays leading role in the regulation and liberalization of international trade. It is the product of globalization and one of the most important organizations in the globalizing world of today. The WTO and its predecessor the GATT have contributed to creation a strong international trading system, which become one of the factors of global economic growth.

The WTO began life in 1995, replacing the General Agreement on Tariffs and Trade (GATT), established in 1947. Since the basic provisions and principles of GATT were later included in the WTO, the both Organizations are even sometimes denoted by a common acronym: GATT/WTO.

Thus, in fact, WTO's trading system is about half a century older. The roots of WTO date back to World War II and the years that followed. The idea of formation of the international organization on the regulation of world trade, which would have an effective character, and, finally will help to overcome the obstacles, formed by protectionist policies, goes back to the mid-40s. The main initiator was the US who was especially interested in this. At the end of World War II, the United States became the most powerful state in the world; the share of its industry amounted to 51% of total production of non-socialist countries. However, American goods everywhere on overseas markets met with the tariff and non-tariff barriers. The situation had been complicated also by the fact that the former colonial powers (Britain, France, Portugal and others) have used in trade with its former colonies the preferential system, i.e. had unlimited benefits, free access to the markets of a large number of countries, but the United States were deprived of this. That is why in November 1945 Americans has developed "*Proposals for Expansion of World Trade and Employment*", that envisaged the elimination of certain restrictions in world trade and ensuring equal opportunities for all countries of access to global sources of raw materials [50].

Based on these proposals in 1948, 56 countries at a UN Conference on Trade and Employment in Havana agreed on a draft Charter providing for the establishment of *the International Trade Organization (ITO)*. ITO was meant to be a new specialized agency of the United Nations, addressing not only the problem of trade barriers but also other issues indirectly related to trade, including employment, investment, restrictive business practices. The Charter (Havana Charter or formally the "Final Act of the United Nations Conference on Trade and Employment") presupposed extensive rules, governing trade, investment, services, and business practice [51]. It was planned that the International Trade Organization (in the sphere of international trade) would be, along with the IMF (monetary issues) and WB (financial issues), one of the pillars of post-War economic development with the mission of liberalization of world trade. However, the US did not ratify draft Charter of ITO, and subsequently, no other country ratified it, thus it never went into effect, although elements of the Charter would later become part of the GATT.

Meanwhile, 23 countries (all of them signed a draft Charter for ITO) in Geneva in 1947 have approved the **General Agreement on Tariffs and Trade - GATT**, presupposing the phasing out the import quotas and reducing tariffs on goods trade [53]. The main purpose of GATT was to ensure conditions for the promotion of international trade, easing the trade barriers and regulation of trade disputes. The Agreement entered into force in 1948 and was meant to be temporary until the ITO comes into force. However, since the ITO failed to be realized, the GATT gradually became the focus for international cooperation on trade matters. Thus, this interim Agreement became the basis for the Organization, which operated almost half a century. The GATT was remaining the only multilateral mechanism governing international trade until the establishment of the WTO in 1995. Despite its semi-institutionalized character, the GATT became de facto global trade organization, proved an effective instrument of world trade liberalization over some decades. It played a major role in the massive expansion of world trade in the second half of the 20th century. During the 1950s and 1960s, only steady reductions in tariffs helped to ensure rates of world trade growth around 8% a year on average. Throughout the GATT era, the trade growth consistently outpaced production growth.

GATT has evolved through rounds of international multilateral negotiations, which discussed the legal norms, rules, and principles of international trade. Under GATT took place seven such rounds. The eighth of them - Uruguay Round (1986-1993) decided to transform GATT into the World Trade Organization (WTO). The original GATT with all changes to it were renamed into "GATT 1947" to distinguish it from "GATT 1994" that comprises the amendments negotiated during the Uruguay Round and later agreements on trade in goods. The GATT principles and agreements, especially on trade in goods, were adopted as an integral part of the WTO Agreement.

However, the World Trade Organization became not a simple extension of GATT. On the contrary, it has a very different character. The GATT was not really an Organization but mainly a set of rules, a multilateral agreement without institutional foundation (except small interim secretariat). The GATT was considered as a temporary body, had not the status of a specialized UN institution, its rules are applied almost exclusively to trade in merchandise goods, it included many plurilateral (acceptable not for all) agreements, its system of dispute settlement system was lengthy and vulnerable. In contrast to this, the WTO is a permanent institution. It covers in addition to goods, trade in services, foreign investment, intellectual property rights, etc. Almost all of WTO's constitutive agreements are multilateral; its system of dispute settlement is more formalized and faster.

The Uruguay Round Final Act, officially establishing the WTO, known as "The Marrakesh Agreement Establishing the World Trade Organization", was signed in 1994 at the ministerial meeting in Marrakesh, Morocco. It comprises the Agreement Establishing the World Trade Organization and its Annexes. Annexes 1A to 3 are integral parts of the Agreement; they are binding to all members of

Organization. In contrast, the agreements included in Annex 4 are independent agreements and, therefore, binding only on the members that have accepted them.

Annex 1A of Agreement: "Multilateral Agreements on Trade in Goods" includes following documents (see scheme 1) [53]

The scheme 1	
Multilateral Agreements on Trade in Goods	
The title of Agreement	The main content of Agreement
General Agreement on Tariffs and Trade 1994	Defines the framework of regime of trade in goods, the rights and obligations of WTO members in this area in order to ensure further liberalization and expansion of global trade
Agreement on Agriculture	Specifies the features of trade regulation in agriculture, and the mechanism of application of state support for agricultural production concerning domestic support, market access and export subsidizing
Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures	Specifies conditions of application of sanitary and phytosanitary control measures to prevent such measures from being used for arbitrary or unjustifiable trade discrimination and restriction
Agreement on Textiles and Clothing	Specifies eliminating the use of quotas in textile and clothing trade between WTO members
Agreement on Technical Barriers to Trade (TBT)	Specifies conditions for the application of industrial standards, as well as testing and certification procedures with the aim to prevent their use as unnecessary trade barriers
Agreement on Trade-Related Investment Measures (TRIMs)	Prohibits such restrictive measures to cross-border investments, which have direct adverse effects on trade in goods
Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement)	Defines the rules of application of anti-dumping procedures in order to prevent to prevent their abuse or misuse for the protection of domestic industries
Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade	Prescribes the rules and methods of customs valuation of goods with the aim to harmonize them on an international basis by eliminating

1994 (Customs Valuation Agreement)	arbitrary valuation systems
Agreement on Pre-shipment Inspection (PSI)	Defines the conditions of the pre-shipment inspections (PSI) aiming to secure PSI's transparency and to provide a mechanism for the solution of disputes between PSI agencies and exporters
Agreement on Rules of Origin	Specifies the principles and procedures of identification of goods origin and provides for dispute settlement procedures
Agreement on Import Licensing Procedures	Sets the procedures and forms of import licensing in order to prevent from such procedures of different countries would become the additional trade barriers
Agreement on Subsidies and Countervailing Measures	Specifies the conditions and procedures of the use of subsidies, clarifies definitions of subsidies, specifies the subsidy types, the range of prohibited subsidies, clarifies procedures for adopting countervailing tariffs - in order to combat a subsidization
Agreement on Safeguards ("SG Agreement")	Establishes rules for the application of safeguards, specifies conditions and procedures for the application of emergency measures to counter the growing imports (in the case of threat of damage to domestic producers)

The following Annexes define Agreements on other aspects of trade rules:

- Annex 1B: The General Agreement on Trade in Services (GATS) covers the cross-border supply of services, as well as the cross-border movement of capital and labor. According to its provisions banks, telecommunication companies, tour operators, insurance firms, and transport companies and other services companies looking to do business abroad can enjoy the same principles that originally only applied to trade in goods.

- Annex 1C: The Agreement on Trade-related Aspects of the Intellectual Property Rights (TRIPS) sets the rules for trade and investment in ideas and creativity. These rules state how intellectual property – patents, trademarks, copyrights, industrial designs and so on - should be protected in the case of cross-borders trade. This agreement stipulates most-favored-nation treatment and national treatment for intellectual properties, requires member countries to maintain high levels of intellectual property protection, and stipulates procedures for the settlement of disputes.

- Annex 2: The Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU or Understanding) establishes rules for resolving

trade conflicts between members in order to strengthen dispute settlement procedures by prohibiting unilateral measures, establishing dispute settlement panels whose reports are automatically adopted, setting time frames for dispute settlement, establishing the Appellate Body, etc.

- Annex 3: Trade Policy Review Mechanism (TPRM) that provides the procedure for conduct periodical review of Members' trade policies and practices, and evaluation their conformity with WTO rules. The review mechanism serves to improve the transparency of Members' trade and investment regimes.

- Annex 4: Plurilateral Trade Agreements include:

Agreement on Trade in Civil Aircraft eliminates import duties on all aircraft, other than military aircraft, as well as aircraft engines and their parts and components; *Agreement on Government Procurement* requires national treatment and non-discriminatory treatment in the area of government procurement and stipulates complaint and dispute settlement procedures; *International Dairy Agreement*; *International Bovine Meat Agreement*.

WTO at present includes 164 members (117 of which are developing countries or separate customs territories) and 20 observer governments. Georgia joined the Organization in 2000 [54]. WTO headquarters is in Geneva, Switzerland. The WTO members now account for about 95% of world trade.

The WTO's overarching **objectives** are liberalization of international trade, elimination of discriminatory barriers to the flow of goods and services, securing free access to national markets and sources of raw materials. Achieving these goals will ensure a strengthening of the global economy, investments growth, expansion of trade relations, a rise of employment and incomes worldwide.

The main **functions** of the WTO:

- Surveillance of the state of the world trade, and consult on management of international trade;

- Developing, adopting, and implementing rules, standards, and norms governing the conduct of member countries in the arena of global trade;

- Serving as a forum for negotiating agreements aimed at reducing obstacles to international trade, for discussing the urgent problems of international trade;

- Providing legal and institutional framework for implementation and administration of WTO agreements;

- Monitoring and reviewing the trade policies of member nations whether it complies with WTO's guidelines;

- Settling trade disputes among member states, and providing institutional framework for this;

- Assisting developing countries in trade policy issues, through technical assistance and training programmes;

- Cooperation with other major international economic institutions involved in global management of economic processes (IMF, WB) for establishing coherence in trade policy-making [7, p. 102], [55].

The WTO's trade policy includes several basic principles: [56, pp. 146-148], [57]:

a) Non-discrimination. It includes two components: the most-favored-nation (MFN) principle, and the national treatment principle.

The Most-favored-nation (MFN) principle provides that with respect to tariffs on exports and imports WTO Member countries have to treat other WTO members equally and if one country grants another country a special favor (e.g. a lower customs duty rate) it has to do the same for all other WTO members. Some exceptions are allowed, but only under strict conditions (Article 1 of GATT, Article 2 of GATS, and Article 4 of the TRIPS Agreements).

The National treatment principle provides that imported and domestically produced goods should be treated equally. Article 3 of GATT foresees it for trade in goods, Article 17 of GATS - for trade in services, and Article 3 of TRIPS Agreement - for trade-related aspects of intellectual property rights.

b) More open and predictable trade. It is ensured through:

- *progressive reduction and binding of tariffs.* WTO Members should conduct multilateral negotiations with a view to reduction or elimination of tariff and non-tariff barriers (NTBs) on imports and exports. Agreed commitments are enumerated in a list of concessions and are binding and enforceable. Individual Member States cannot revise unilaterally and arbitrarily the tariff commitments made by WTO members in multilateral trade negotiations. The country can change its bindings only after negotiating with its trading partners, which could mean a compensation them for loss of trade or participation in a WTO dispute settlement procedure;

- *general elimination of quantitative Restrictions.* Quantitative restrictions (quotas, licensing, discriminatory standards, etc.) are prohibited because they hamper the free flow of trade, thus restriction ought to be in the form of tariffs only. The point is that many governments try administratively limit imports. Sometimes they resort to witty measures. Thus, in the 60s, in the midst of "car wars" between developed countries, Japan has adopted stringent standards for emissions of hazardous substances from cars, at the same time having improved in advance the technological characteristics of their own vehicles. United States and Western European countries were not ready to this, and the deliveries of their cars into Japan virtually have ceased for a while.

c) Transparency. Transparency of national trade policy is ensured: through a domestic publication of trade regulations (legislative and normative acts) in the media and through Surveillance of national trade policies by the Trade Policy Review Mechanism (TPRM).

d) Promoting the fair competition. That implies the preservation of high level of competition within the trading system by discouraging unfair practices such as subsidizing exports and dumping products in foreign markets. These practices are condemned and if a country uses them, its trading partner has the right to use compensatory measures to offset such actions.

e) Reciprocity. It means that negotiations are to be concluded on a reciprocal and mutually advantageous basis. Nations should try to provide similar concessions for each other relating the import duties and other trade barriers. In

declaring this, the member states aim at limiting the scope of free-riding that may arise because of the MFN rule and at obtaining better access to foreign markets. For the member countries, the gain from negotiating is greater than gain available from unilateral liberalization. The MFN rule and principles of reciprocity affect one another, thus increasing their effectiveness as a whole. When, e.g. two countries conclude a bilateral agreement which advances liberalization on the reciprocal basis, this automatically becomes effective on a multilateral basis under the MFN Principle. Consequently, global liberalization of trade would not be endangered by selective protectionist measures.

However, strict reciprocity actually is possible only between developed nations due to their roughly matching economies. For trade between them and developing nations, is applied the concept of relative reciprocity whereby the developed nations give some privileges to their developing trading partners. In doing so, the nations comply with the *principle of solidarity*.

f) Encouraging development and economic reforms. The WTO system contributes to development, to formation open market economy. Over three-quarters of WTO members are developing countries and countries in the process of economic reform from non-market systems. These states need flexibility with respect to the speed at which economic reforms are performed. WTO agreements provide for special assistance and trade concessions for developing countries. Better-off countries should accelerate implementing market access commitments on goods exported from the least-developed countries, and increased technical assistance for them. Recently, developed countries have started to allow duty-free and quota-free imports of almost all products from least-developed countries. The current Doha Development Agenda includes developing countries' concerns about the difficulties they face in implementing the Uruguay Round agreements.

e) Special treatment for less developed Members ("less-than full reciprocity"). Developing countries require preferential treatment. Many of them face particular difficulties in benefiting from trade liberalization. The principle of the most favored nation, which, according to the plan, is to become a core principle in international trade arrangements, in practical use causes significant controversies between countries. A weaker country in which industry barely begins to develop turns out defenseless before the onslaught of goods from industrial countries. Different levels of economic development of Member States pose them in unequal conditions in the course elimination of tariff and nontariff barriers. That is why the developing countries, for a long time are struggling against the formal equality of all members. In 1965 (within the so-called "Kennedy Round"), they managed to defend the resolution under which for them has been declared "*non-reciprocity principle*". It means that if a rich country provides for the poor country any benefits, it should not expect from this poor country of corresponding equivalent concessions. That is, if the developed countries should remove trade barriers, then the developing countries have the right to keep them to some extent and for a while. At the same time developed countries insisted on the adoption of

the "principle of gradation", according to which poor country loses a preferential regime of "non-reciprocity" if its level of industrial development increased.

Special and differential treatment (S&D) provisions are included in the different WTO Agreements. Some of them provide high priority to the reduction and elimination of barriers to products of particular interest to developing countries. Others provide exceptions from commitments, otherwise applying to the Membership in general or give to developing Members more time to implement their obligations. It is presupposed that the better-off Members must make extra efforts to lower import barriers on LDCs exports, developed Members should not expect reciprocity for commitments to reduce or remove tariffs and other barriers to the trade of developing Members (Article 36: 8, Part IV of the GATT).

Exceptions to the Basic Principles:

However, within the framework of common rules and principles prescribed by the WTO agreements, there are some **exceptions** that are allowed under strict conditions and control by WTO. WTO Members in certain circumstances have the right to modify or even not to fulfill their obligations. Here some examples of such situations:

- The right to keep pre-existing preferences, i.e. if at the time of signing the agreement a country gives the preferential treatment to some trading partners it can continue to do so;

- The regional integration groupings can establish a special regime, violating some rules of WTO. For example, within EU the Members have established a most favorable trade regime without any restrictions. Such extraordinary benefits none of EU countries provides to other partners in the WTO, which is a violation of the MFN principle;

- The countries have a right to deviate from some WTO rules in case of government procurement (does not apply the national treatment principle), for resolving the balance of payments problem, to address cases of dumping, and of providing countervailing duties against subsidy practices, etc.;

- General exceptions are permitted in particular for reasons of public morals, conservation of natural resources, protection of national treasures, and compliance with domestic regulations (but members must not use the measures as a means of disguising protectionist policies);

- Exceptions are permitted in the case of a threat to national security, in the case of emergencies. If the country suffers from unforeseen disasters (natural disaster, social unrest), it may temporarily go beyond the assumed trade obligations (may increase the tariff, introduce quotas etc.), but by agreement with the WTO. Temporary export prohibitions are permitted in the case of critical shortages of food and essentials.

The scope of WTO's activity realizing functions of Organization [54]:

- Conducting of negotiation on the reduction or elimination of obstacles to trade (import tariffs, other barriers) and agreeing on rules governing the conduct of international trade: the customs and tariff regulation, antidumping regulation, use of subsidies and compensations, of non-tariff barriers etc.;

- Administering and monitoring the application of the WTO's agreed rules for trade in goods (including textiles, agricultural products, Aeromechanics'), trade in services, and trade-related intellectual property rights;

- Conducting of monitoring of trade policies of WTO Members countries, as well as ensuring transparency of regional and bilateral trade agreements, the functioning of customs unions and free trade areas;

- Settling disputes among WTO's members regarding the interpretation and application of the agreements. The most harmonious way to reconcile the parties of trade conflicts is through some neutral procedure based on an agreed legal foundation, i.e. using of WTO's dispute settlement mechanism. Dispute settlement is regarded by the WTO as the *central pillar* of the multilateral trading system contributing to the stability of the global economy;

- Assisting the process of accession of countries who are not yet members of the organization;

- Conducting economic research; collecting and disseminating trade data.

The most urgent problem is the improvement of trade rules that would satisfy all members of the WTO. In the first place, it concerns the elimination of tariff and non-tariff barriers and the establishment of common technical standards for goods. As for Trade Related Aspects of investments, it is supposed to extend to foreign investments same MFN regime that exists in international trade. The policy providing benefits to developing countries is preserved: their goods have access to the markets of developed countries without tariff restrictions and quotas. At the first Conference of the WTO (Singapore, 1996), as one of the most important tasks was proclaimed the facilitation of the integration of developing countries, least developed countries and countries with economies in transition into "multilateral system of regulation of world trade".

In 1964, the World Trade Organization jointly with UNCTAD at the request of the developing countries have established **International Trade Centre (ITC)**. ITC's mandate is to help developing and transition economies to promote their exports by providing trade-related technical assistance, information, and advice on export markets and marketing techniques. It assists in export promotion and marketing services, and in training personnel required for these services. The ITC's help is freely available to the least-developed countries.

The organizational structure of the WTO (The scheme 2):

1. **Ministerial Conferences** is top-level decision-making body (usually, meets every two years). In brings together all members of the WTO.

2. **The General Council.** Normally includes ambassadors and heads of delegation in Geneva, conducts the organization's business in the intervals between Ministerial Conferences, and meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Disputes Settlement Body;

3. **The Council for Trade in Goods (GATT);**

4. **The Council for Trade in Services (GATS);**

5. **The Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS);**

6. **Numerous specialized committees, working groups and working parties;**

7. **WTO Secretariat (lead by a Director-General).** It is located in Geneva, Switzerland, having has around 700 staff; its annual budget is roughly 200 million Swiss Francs. The three official languages of the WTO are English, French and Spanish. The secretariat does not have the decision-making role. Its main duties are technical support for the various councils and committees and the ministerial conferences, technical assistance for developing countries, analyses of world trade, legal assistance in the dispute settlements, the accession negotiations [54].

The scheme 2.

The organizational and functional structure of the WTO

The main bodies

Subsidiary bodies

MINISTERIAL CONFERENCE

GENERAL COUNCIL

GENERAL COUNCIL MEETING AS DISPUTE SETTLEMENT BODY

- Appellate Body
(subsidiary)
- Dispute Settlement
Panels (subsidiary)

GENERAL COUNCIL MEETING AS TRADE POLICY REVIEW BODY

Council for Trade in Goods

Councils:

- for Trade in Goods
- for Trade in Services
- for Trade-Related Aspects of Intellectual -
Property Rights

Trade Negotiations Committee

Committees on:

- Trade and Development
- Trade and the Environment
- Sub-Committee on Least-Developed Countries*
- Regional Trade Agreements
- Balance of Payments Restrictions;
- Budget, Finance and Administration

Plurilaterals:

- Trade in Civil Aircraft Committee
- Government Procurement Committee

Working parties on:

- Accession

Working groups on:

- Trade, debt and finance
- Trade and technology transfer

Committees on:

- Market Access
- Agriculture

- Sanitary and Phytosanitary Measures
- Technical Barriers to Trade;
- Subsidies and Countervailing Measures
- Anti-Dumping Practices
- Customs Valuation
- Rules of Origin
- Import Licensing;
- Trade-Related Investment Measures
- Safeguards

Plurilaterals:

- Information Technology Agreement Committee

Working party on:

- State-Trading Enterprises

Committees on:

- Trade in Financial Services
- Specific Commitments

Plurilaterals:

- Trade in Civil Aircraft Committee
- Government Procurement Committee

Working parties on:

- Domestic Regulation
- GATS Rules

Council for Trade in Services

Council for Trade-Related Aspects of Intellectual Property Rights

Secretariat

Department on technical cooperation and the professional training

The WTO's decisions are made by the entire membership (either by ministers or by their ambassadors or delegates), on the system "one country - one vote". Decisions are taken generally by consensus. A majority vote is also possible but it has never been used in the WTO and was extremely rare under GATT. The advantage of consensus decision-making is that it finally leads to the most widely acceptable decision, but on the other hand, it needs a large time and many rounds of negotiation to develop a consensus position. Trade frictions are channeled into the WTO's dispute settlement mechanism.

WTO's accession is a long and complex procedure and is unique to each applicant country [17, p. 286], [54]. The terms of accession are dependent upon the level of economic development of the country and current trade regime. On average, the accession process takes about five years, but it can last much longer. It includes several stages. Initially, the country wishing to accede to the WTO submits an application to the General Council and has to describe all aspects of its trade and economic policies in a Memorandum on Foreign Trade Regime (FTR). WTO forms a Working Party on the Accession, which should examine the

memorandum and determine whether the trade policy of the country does comply with the WTO's rules. Having examined all the necessary information, the working party focuses on issues of inconsistency between the WTO rules and the applicant's trade policies (international and domestic) and determines the terms and conditions of its entry into the WTO. After that, begin bilateral negotiations between the applicant and the interested member states on a matter of concessions and commitments regarding access of goods and services from other countries on the market of the candidate country. The new member's commitments are to apply equally to all WTO members under non-discrimination rules. When the bilateral negotiations are completed, the working party prepares to the General Council or Ministerial Conference an accession package that includes the Protocol of Accession (i.e. a draft membership treaty) and lists ("schedules") of the applicant commitments. If the two-thirds majorities (as a rule) of WTO members vote in favor of the applicant, it can sign the Protocol of Accession. After the parliament of the applicant ratifies the Protocol, the country is becoming a new member of WTO. Georgia applied for WTO membership in 1996 and after the completion of all negotiations joined the Organization in 2000.

Countries that are not members of the WTO are in unfavorable conditions. In fact, they are subject to the trade discrimination because they are excluded from the benefits that WTO members provide each other. To the non-Members may be applied sanctions, such as quotas, dumping charges and so on.

Within WTO countries form **groups and alliances**. Often a common spokesperson or a team of negotiators represents them. Building of coalitions is partly the natural result of economic integration around the world. It is also seen as a means for smaller countries to increase their bargaining power in negotiations with their larger trading partners. The largest and most comprehensive group is the European Union. It is a customs union with a single external trade policy and tariff (whereby the EU is a WTO member in its own right as are each of its member states). The Association of South East Asian Nations (ASEAN) also has many common trade interests and frequently speaks with a single voice. Among other groupings the African Group, the Latin American Economic System (SELA) and others [54].

Since GATT's creation, there have been eight rounds of trade negotiations. A ninth round - the Doha Round, under the "Doha Development Agenda", was launched in Doha, Qatar in 2001 and is now underway. The work program covers about 20 areas of trade and among them agriculture, services trade, market access for non-agricultural products, and intellectual property issues. The talks aim at further liberalization of trade, in particular to make easier for developing countries, particularly Least Developed Countries (LDCs), to integrate into the WTO multilateral system. The talks aim at further liberalization of trade. The main issues: reforming agricultural subsidies; ensuring that liberalization leads to sustainable economic growth in developing countries; improving developing countries' access to global markets for their exports. The ministerial-level meetings took place in Cancun, Mexico (2003), Hong Kong (2005), Paris, France (2005),

Potsdam, Germany (2007), Geneva, Switzerland (2004, 2006, 2008), Bali, Indonesia (2013), Nairobi, Kenya (2015). But negotiations, for now, still ongoing because of remaining contentious issues. The most significant differences are between major trading countries in the developed world led by the European Union (EU), the United States (US), and Japan, and the major developing countries represented mainly by India, Brazil, China, and South Africa. There is also considerable contention between the EU and the US over the agricultural subsidies, which actually operate as trade barriers.

8.2. The United Nations Conference on Trade and Development (UNCTAD)

UNCTAD is organ of United Nations General Assembly, established in 1964.

Its formation was based on the grounds that GATT was semi-closed organization, a kind of "elite club", the entrance to which was closed for many countries. Therefore, on the initiative of socialist and a number of developing countries, it was decided to establish a body within the UN system to regulate international trade, as expected, based on more fair principles. The main idea was to change the emphasis in the regulation mechanism in favor of developing countries, especially the least developed. These principles were reflected in the "Charter of Economic Rights and duties of states" which was developed by UNCTAD and was adopted by the General Assembly in 1976.

Currently UNCTAD comprises 194 states, including Georgia. Organization's headquarters is located in Geneva.

The **main UNCTAD' objective** is the promotion of international trade to accelerate international development, especially in developing countries.

The more specific objectives of Organization:

- Intensification of intergovernmental cooperation of developed countries and developing countries;
- Strengthening of cooperation among developing countries;
- Coordination of multilateral institutions in international trade and development;
- Mobilization of human and material resources through the joint efforts of government and society;
- Intensification of cooperation between the state and private sectors.

UNCTAD's objectives have determined its **functions [56, p.155-159]:**

1. Regulation of trade and economic relations between the states.
2. Development of measures for regulation of international trade in raw materials.
3. Analysis of trends of global development and international trade.
4. Discussion of actual problems of international economic relations.
5. Coordination of activities of UN's organs and institutions on the problems of international trade and development.

6. Cooperation with international organizations in the field of international trade (first of all, with the WTO).

UNCTAD's activities are based on the following **principles**: equality of states in international trade relations; inadmissibility of discrimination and economic pressure; spreading of MFN principle in international trade; providing benefits to developing countries based on the "non-reciprocity"; cancellation of preferences enjoyed by the developed countries on the markets of the weakest countries; promoting exports from developing countries. These and some other principles are declared in the document entitled "The principles international trade and trade policy".

UNCTAD actively participated in the development of the principles of the "New International economic order", which was initiated by politicians of developing countries. In this regard, in particular, the Conference insists on limiting the practice of anti-dumping measures, which are widely used by developed countries against less developed countries; on the rejection of the blockades and trade embargos. UNCTAD specifies that because the different groups of countries have unequal opportunities, in international trade have to be taken into account the problems of less developed countries. On the eve of the session of UNCTAD (1996) was held meeting of "Group-77", which consists of developing countries; they discussed the problems of stimulating the economy under conditions of trade liberalization and globalization of the world economy.

As raw materials remains the main export commodity for the least developed countries, UNCTAD pays special attention to trade in raw materials. Were formed a special research groups in respect of raw materials, were signed the relevant international agreements, were signed conventions on the terms of trade in raw materials. On the initiative of UNCTAD in 1976 has been developed and adopted The Integrated Programme for Commodities (IPS); the program aims to stabilize the prices of raw materials and to help the least developed countries in industrial processing of these materials.

In the development of international trade policy mechanism an important place occupy measures on determination of preferences for the developing countries, for elimination of tariff barriers to improve the structure of their exports. Particular attention is paid to least developed and landlocked countries (there are many such in Africa), and to the island countries.

Apart from trade issues, UNCTAD is also in charge of other important issues of international economic cooperation. This is currency and finance; maritime transportation; insurance of technology transfer; international investments.

The analytical activity of UNCTAD covers such areas [58, p. 442]: trends in the global economy and their impact on development; macroeconomic policy; specific developmental problems, how developing countries and countries with economies in transition can use the successful experience; issues related to the flows of financial resources and to the debts. The research results create the bank of information provided to the Member States.

The organizational structure of UNCTAD:

1. Conference.
2. Council for trade and development
3. Secretariat.

UNCTAD manages the activity of International Trade Center that was established jointly with the WTO.

The sources of financing of UNCTAD: funds of UNDP, of European Commission, of World Bank and of individual donor countries (mainly countries of Western Europe, and Japan).

UNCTAD has complicated relations with the WTO; in fact, they are competitors in the field of regulation of world trade. The developing countries numerically dominate among the members of UNCTAD; they manage to implement the principles and decisions that are often not in the interests of developed countries (for example, the spread of the principle of "non-reciprocity"). That is why states with indisputable authority in the WTO are trying to give more weight in international trade relations exactly to this Organization. And indeed, the authority of the WTO is higher than that of UNCTAD. Not last role in this plays decision-making principle: advisory character of decisions in UNCTAD allows sometimes ignoring them, and this weakens authority of Organization.

There were even doubts in a need of UNCTAD. But over time the functions of two Organizations were delineated: UNCTAD works out common principles of trade policy in the developmental context, and WTO is in charge of purely commercial issues [59].

8.3. The International Trade Center (ITC) of UNCTAD/WTO.

ITC is **the** joint subsidiary **agency** of WTO and the UN. It was formed in 1964 under the GATT, and since 1968 also entered the structure of UNCTAD. ITC membership covers members of WTO and of UNCTAD. Headquarters of Organization is located in Geneva.

The main objective ITC is to eliminate duplication and overlapping in the activities of the WTO and of UNCTAD in promoting trade in developing countries. ITS activity is focused on helping the business sectors of developing and transition economies to develop exports, with an emphasis on competitiveness.

ITC Basic functions:

- Provide developing countries technical assistance in the development of trade, especially in stimulating exports;
- Providing member countries with information about the market opportunities for traditional and non-traditional products;
- Improving technology of import operations for the rational use of foreign exchange reserves;
- Training of government officials, entrepreneurs and teachers on technology of export-import operations;
- The conduct of scientific researches on foreign trade.

ITC's goals and functions are in line with the content of the core areas of the Center's activities [7, p. 45]:

1. Development of the market of products.
2. Development of the services market.
3. Trade information.
4. Training of personnel.
5. International demand and supply management.
6. Planning of measures to promote trade.

These ITC's activity directions were identified by United Nations Economic and Social Council (ECOSOC) resolution in 1973.

Developing the market for products is supposed to be carried by improving the quality of products, through support of export (especially in private sector), its diversification. Providing services for trade is also directed primarily to the private sector. Much attention is paid to the formation of a national system of information on products, services, markets and trading activities of enterprises and organizations; each country should have such a system. For successful breakthrough into international markets the developing country needs specialists. To this end, ITC contributes to their training in the domestic education institutions (through scholarships, etc.) organizes practical training at commercial enterprises.

ITC develops and implements national and regional programs for trade development, advising on the development of national foreign trade policy. Particular attention in ITC activities is paid to the least developed countries. In 1995 was adopted a program of technical assistance entitled "Technical Cooperation for Africa within the framework of the multilateral trading system based on the "Uruguay Round"; it aims to strengthen the competitiveness of the least developed African countries.

The **organizational structure** of ITC:

1. The General Council of the WTO, Council for Trade and Development UNCTAD;
2. Joint Advisory Group (JAG) in matters ITC;
3. Meeting of Deputy Secretary General of UNCTAD, of WTO Deputy Director General and of Executive Director of ITC;
4. Secretariat.

Financing of ITC is carried by equal funds from the WTO and the UN. ITC's activity for technical assistance to developing countries and countries with economies in transition is financed by contributions from UNDP, by international organizations and voluntary contributions. Work programs are financed by the Global Trust Fund.

ITC has a well-developed **informational structure** concerning international trade. It regularly publishes books, directories, the markets reviews, educational materials. The Centre has library containing extensive information intended mainly for organizations. News Service of the Center publishes the collection «International Trade Forum».

8.4. The United Nations Commission on International Trade Law (UNCITRAL)

UNCITRAL was established in 1966. It is the main body of the UN in the field of international trade law.

UNCITRAL functions:

- Unification of international trade law;
- Coordinating the work of international organizations in the field of international trade law;
- Promoting broad participation of states in the existing international conventions and the development of the new international conventions in international trade law;
- Training in the international trade law, especially for developing countries.

Legislation developed by the Commission, apply to the following industries: purchase and sale of goods, arbitration, electronic commerce, circulation documents, financing of projects, bankruptcy, warranties, construction contracts, letters of credit, shipping.

The activities of UNCITRAL find its main expression in the development and adoption of conventions i.e. documents, which contain the coordinated rules, principles and standards in the field of international trade law. The most famous *UNCITRAL Conventions* are:

- The Convention on the Limitation Period in the International Sale of Goods (New York, 1974); it established uniform rules concerning time limits, in which should begin disputes arising from contracts, as well as limitation periods;
- The United Nations Convention on the Carriage of Goods by Sea (the “Hamburg Rules”, Hamburg, 1978); it approved a uniform legal regime governing the rights and obligations of shippers, of agents engaged in transportation, of seafaring companies, of recipients, which arise under the agreement on maritime transportation;
- The United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980);
- The United Nations Convention on International Bills of Exchange and International Promissory Notes (New York, 1988)

UNCITRAL Model Laws (which are recommended to States for enactment as part of their national legislations):

- UNCITRAL Model Law on International Credit Transfers (1992);
- UNCITRAL Model Law on Electronic Commerce with Guide to Enactment (1996);
- UNCITRAL Model Law on Cross-Border Insolvency with Guide to Enactment (1997).

The richest in content was the Vienna Convention on Contracts for the International Sale of Goods [56, p.359]. It established common rules regulating the sale eliminating in many respects differences in national legislations. The only norms create the preconditions for a complete understanding between trading partners, defining the obligations of the seller and the buyer. The Convention

established a list of objects of sale, which are subject to its ideas, and identified signs of the contract to which the Convention does not apply. The Convention provides partners with ample opportunities for making mutually beneficial trade agreements; if relationships between the partners are not regulated by contract, enter into force the provisions of the Convention.

Provisions of the Convention apply only to contracts of international nature and are not binding on internal national trading systems. But UNCITRAL carries out constant work for the unification of national legislations governing the sale of goods.

Composition of UNCITRAL is limited by the 60 member countries, which are elected by United Nations General Assembly on a rotating basis from regions: Africa (14 States), Asia (14 States), Eastern Europe (8 States), Western Europe and North America (14 States), Latin America and Caribbean (10 States). Member states of Organization also represent different legal traditions and levels of economic development. Currently, from Eastern Europe in Organization are functioning such States (whit the years when their memberships expire): Armenia (2019), Belarus (2022), Bulgaria (2019), Czech Republic (2022), Hungary (2019), Poland (2022), Romania (2022), Russian Federation (2019). UNCITRAL members are elected for terms of 6 years.

Organizations secretariat is located in Vienna; it has 19 employees, 11 of which belong to the professional staff, and 8 are auxiliary administrative employees.

The Commission includes six working groups to carry out preparatory work provided by program of UNCITRAL. The composition of each working group includes all member countries of the Commission. With the help of Secretariat they compose the draft laws, which are then submitted to the Commission.

8.5. International organizations on the regulation of the global commodity markets

International organizations on the settlement of global commodity markets aim to normalize the situation on the markets of goods, mainly raw materials and the agricultural products. The main objectives of these organizations are:

- Regulating the prices of goods in order to avoid sharp fluctuations;
- Prevent overstocking in the markets of the products concerned;
- Establishing a just ratio between the prices of raw materials and the prices of industrial products;
- Eliminating excessive competition between producers by separation of markets among participants of Organization;
- Ensuring a stable supply of goods to world markets.

The forms of international regulation of commodity markets are very diverse. They comprise the intergovernmental agreements operating under the auspices of UNCTAD; the intergovernmental agreements that unite exporting countries and importing countries of goods; organizations of exporting countries. Intergovernmental agreements developed in the system of UNCTAD are realized

on the basis of International Trade Agreements (ITA) and on the basis of activities of International Research Groups (IRG).

International commodity agreements aim at stabilizing of commodity prices on world markets by establishing a rational ratio between supply and demand. To this end, UNCTAD adopted the integration program for the raw material goods (1976), and established a common fund for commodities. International Trade Agreements (ITA) is agreements in UNCTAD system, and they, in fact, are not organizations. International organizations in this field are divided into the following groups:

- Multilateral commodity organizations;
- The intergovernmental organizations of producers and exporters of raw materials.

The multilateral organizations are composed of exporters of raw materials and agricultural products, as well as of their major importers. They are also divided into separate groups: the International Organizations; the International Councils; International Advisory Committees; International Research Groups. Multilateral organizations operate in UN system.

International organizations consider that theirs main purpose is preventing sharp fluctuations of prices - both upward and toward the fall. They regulate the following markets: cocoa; coffee; natural rubber; sugar; grain; tropical wood; jute.

International councils are formed within international trade agreements. Their purpose is regulation of relations between the parties of agreements by providing information on the state and development of certain commodity markets and through coordination of world prices. International councils control markets of olive oil, tin and grain.

International advisory committees also provide to the participants of agreements the information on market conditions; they discuss the ratio between production and exports, participate in price regulation. There are two committees: the International Committee on Cotton and UNCTAD's Committee on Tungsten.

International Research Groups on raw material operate under the auspices of UNCTAD. They analyze the trends on commodities markets and giving appropriate recommendations to participating countries. Research groups exploring markets of natural rubber, lead and zinc, nickel, and copper.

Intergovernmental organizations of countries producers and exporters of raw materials include only manufacturers and exporters, and do not include net consumers of raw materials. They are represented by associations of developing countries (with few exceptions). The formation of organizations of this type was nothing else than an attempt to resist the dictates of consumers, which are mostly developed countries. To a large extent this goal has been achieved. Today the share of trade associations in the supply to the world market of raw materials and food reaches 55%, and on some products - even 80-90% [56, p. 191-192]. Thus, the organization OPEC supplies 80% of oil, the Association of producers of tin - 90% of this metal, the Association of producers of natural rubber - 95% of total volume of the rubber market. There are almost three dozen of International organizations

of raw material exporters. The most influential and effective of these organizations is OPEC.

8.5.1. Organization of the Petroleum Exporting Countries (OPEC)

OPEC was created in 1960. It was founded by countries, mostly belonging to the Gulf region, which have the largest proven oil reserves in the world. OPEC as a permanent organization was established at a conference in Baghdad on 10-14 September 1960. Originally organization has included Iran, Iraq, Kuwait, Saudi Arabia and Venezuela (the initiator of creation). Later on to these five countries that have established organization joined another nine: Qatar (1961), Indonesia (1962, in 2008 withdrew from the OPEC), Libya (1962), United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973-1992, 2007), Gabon (1975-1994), Angola (2007).

Today OPEC consists of 12 members, taking into account changes in the composition that took place in 2007: emergence of a new member - Angola and return of Ecuador. In 2008, Russia declared its readiness to become a permanent observer in the cartel.

The headquarters of Organization is located in Vienna.

OPEC emerged as a response to the unlimited domination of transnational oil companies (British petroleum, Gulf Oil, Standard Oil of California and others) on the world oil market. They dictated prices and sales volumes of oil. They were deprived of their monopoly position as a result of concerted actions of the OPEC countries that begun to set the volumes of oil production and of exports, which significantly affected the prices. In fact, today OPEC is a collective monopolist that controls a large part of the oil market. The strongest action of OPEC was a sharp rise in prices (up to 10 times) in the early 70s that caused the energy crisis in the world. Particularly affected were countries that do not have energy resources; "oil shock" have felt also large importers of oil among the developed countries (Japan, USA, Italy, and France). High oil prices have stimulated the development of energy efficient technologies. Over time, prices have fallen, but they are still much higher than before the beginning of the 70s.

OPEC countries control about 2/3 of world oil reserves; they account for 40% of global production, or half of the world's oil exports.

The main goal of OPEC is the stabilization of world oil prices at a level that ensures the interests of member countries.

Key objectives of Organization:

- Coordination of petroleum policies of member states;
- Ensuring of stable profits;
- Regular supply of petroleum to consumers;
- Environment protection.

As the main mechanism of oil market regulation OPEC considers establishing of general marginal limits for the volume of oil extraction with subsequent distribution within this volume between member countries. If prices are

too high, the volume of production and sales is been expanding; when prices are falling, are taken collective measures for reduction of production. This procedure is not simple; it is complicated by the economic and political aspects. Each country wants to have a bigger quota (currently the largest quota belongs to Saudi Arabia); in addition, the compromise solution is complicated by the political disputes.

To support developing countries was formed **OPEC Fund for International Development (OFID)** (1979). The Fund provides concessional loans to these countries to implement development projects, programs and balance of payments. Resources of the Fund are made up of voluntary contributions from member states of OPEC, as well as of incomes received from the investment and credit operations.

The members of the Fund are the same states that are members of OPEC, but the management of the Fund and OPEC are separated, because their main functions are different: the OPEC deals with regulation of oil markets, whereas the Fund provides assistance to developing countries. Assistance of the Fund is available to any country of the group, with the exception of OPEC members. Loans can also be provided to international institutions that are helping developing countries.

OPEC is trying to establish business relationships with other organizations - with the UN system, with the European Union. But between OPEC and the developed countries that are the largest importers of oil, tension does not disappear: their interests are diametrically opposed.

8.5.2. The Arab Iron and Steel Union (AISU)

The Union was founded in 1971. The AISU has more than 85 companies from 14 Arab countries, which produce steel and pursue an active marketing policy. The Member countries of AISU are Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Qatar, Saudi Arabia, Syria, Tunisia, and Mauritania. Union headquarters is located in Algiers, Algeria, with regional offices in Damascus, Syria and Cairo, Egypt. Board of Directors, headed by Chairman, governs Arab Iron & Steel Union.

Companies AISU members produce about 90% of steel production in Arab countries. The Arab production of crude steel had approached 14 million tons in 2005 and exceeded 19 million tons of finished products. AISU activities focused on a wide range of metal production (iron, steel, ferroalloys, cast iron ingots, metal shavings, etc.). AISU comprises companies with a wide range of activities: suppliers of iron ore and scrap metal; manufacturers of steel products; end-users; suppliers of auxiliary materials; distribution companies and metal traders.

Arab Iron and Steel Union set itself the following main objectives:

- Cooperation, coordination, and integration in the field of the iron and steel industry in the Arab world;
- Helping member companies to ensure the supply of raw materials and products, and other supplies to the industry;

- Providing the member companies and organizations with the statistical, technical, economic, and commercial information;
- Introducing new technologies and preparing technical and economic studies for the development of the iron and steel industry;
- Assisting its members on economic and technical issues; preparing studies and organizing seminars and conferences for the prosperity of the Arab iron and steel industry;
- Assisting in the definition and standardization of terminology and technical specifications in the iron and steel industry and its ruling indicators;
- Ensuring the expansion of production; broad diversification of products; if earlier, most companies have produced only one type of product (mainly reinforcing steel), then now they expand the range of production;
- Ensuring the orientation of industry on export; the transition from the strategy of protection to the strategy of competition; companies started to trade on the open market, which fall under the influence of supply and demand, and not of policies of subsidies and protection;
- Attracting investment; with the transition from state control to private ownership into the sector went foreign investments.

AISU publishes the magazine "The Arab Steel" in Arabic and English, the only Arab magazine that highlights the problems in the steel industry. AISU holds conferences on problems in steel industry and related industries such as the production of pipes. AISU also organizes annual exhibitions and symposia on various issues of steel industry. The Union has its website "www.arabsteel.info".

Chapter 9. International monetary and credit organizations

9.1. The modern system of international monetary and credit organizations

The institutional structure of the international monetary and credit market consists of a set of international banks, currency exchanges, currency funds, government agencies and international organizations, through which carried out the movement of capital in international economic relations. International financial institutions are part of the monetary and credit relations.

International monetary relations as an economic phenomenon began to form in ancient and feudal times, at first in the form of exchange of foreign coins, discount fees, and then in the form of payments between banks in different countries.

However, integrated system of monetary-credit relationships was formed only since the mid XIX century, when the development of international labor division stimulated the process of forming of the world economy, international economy, and international monetary market. In that period happens creation of international banks and the establishment of international financial centers.

The development of the international economy, the diversification of international economic relationships led to complication of monetary and credit relations. The international role of the largest banks had been growing. The number of customers had increased (private firms, other foreign banks, foreign governments, etc.), also had increased the amount of foreign exchange transactions. However, this process was hampered by the unsettled state of international monetary relations, uncontrollability of currency markets, ambiguity, and inconsistency of monetary policy in different countries. There was an urgent need for measures of an international character that would turn quite a spontaneous monetary and credit relations into an orderly system. Necessary were supranational bodies that would establish "rules of the game" in the international currency market. Such interim bodies have become international conferences, which legally formalized the status of the world monetary system at the main stages of its development.

International economic (monetary and financial) conferences - it is specific phenomenon in the institutional system of international monetary and financial relations. In essence they are similar (but not identical) to the international organizations. Common for conferences and organizations is their purposes - they are regulators of global monetary market. However, functions of the conference are broader than that of the organization; often the organization is formed because of the decisions of conference (e.g. the International Monetary Fund was established by decision of the Bretton-Woods conference). Another difference lies in terms of functioning. Conference is short-term organ; while the international organizations can operate for decades. The conference, therefore, is not the institution in full sense of the word. Nevertheless, it plays an important organizational role in formation of the institutional system.

As noted in the I chapter, the most important conferences of world significance were International Monetary Conference (1867: Paris, France); Genoa Economic and Financial Conference (1922: Genoa, Italy); Bretton Woods Monetary and Financial Conference (1944: Bretton Woods, USA); Jamaica Agreement of IMF member countries (1976: Kingston, Jamaica).

The emergence of international organizations (in the full sense of the word) in the monetary and credit sphere belongs to the first half of the twentieth century. In 1930 was created the Bank for International Settlements (BIS), and in 1945 - the International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD).

The peculiar institutions in the structure of international monetary relations are **clubs of creditors** and **consultative groups of countries**.

Thus, in the late twentieth century formed a ramified and rather complicated institutional structure of the international monetary market. The main structural blocks are such groups of institutions:

1. State agencies and institutions that control the international monetary activities of the country - ministries (of finance, of economy), national banks and other institutions.

2. Multinational banks (MNBs).

3. Currency exchanges.

4. International monetary organizations, which in turn are divided into groups and types:

- 4.1. International Monetary Fund (IMF);

- 4.2. World Bank Group (IBRD, IDA, IFC, MIGA, ICSID);

- 4.3. Bank for International Settlements (BIS);

- 4.4. European group of international banks which is organizationally related with the EU (EIB, ECB);

- 4.5. Regional development banks;

- 4.6. Non-specific organs of the United Nations (ECOSOC, UNCTAD);

- 4.7. Clubs of creditors (Paris Club, London Club);

- 4.8. The Consultative groups (G-5, G-7, G-10, G-20, G-24, G-30, G-77, and others).

Thus, we can now determine the purpose and main objectives of institutional system of monetary and financial market.

The main purpose of the international financial institutions is regulation of international monetary and financial relations for effective development of world economic relations.

The **basic objectives** of international institutions:

- Sustainable and progressive development of the economy;

- Acceleration of international monetary integration both at a regional level and in global dimension;

- Normalization and stabilization of international monetary relations;

- Liberalization and coordination of monetary and credit policy in relations between countries;

- Providing economic aid to developing countries and countries with economies in transition by granting loans and advisory assistance;
- Collection and processing of information, conduct of scientific researches on the problems of international monetary and credit and financial relations.

9.2. The International Monetary Fund (IMF)

The IMF was founded in 1945 by decision of the Bretton Woods conference. Fund membership currently comprises 189 states, including Georgia. The headquarters of IMF is located in Washington (D.C.).

The main objectives of the IMF:

- To strengthen international monetary cooperation;
- To promote exchange-rate stability, to secure the viability of the international system of payments;
- To oversee the international monetary system, the economic and financial policies of member countries;
- To facilitate the expansion and balanced growth of international trade, sustainable economic growth;
- Provide loans to member countries experiencing balance of payments difficulties.

Since its founding the IMF aimed to help overcome problems of non-convertibility of currencies, trade and payment restrictions, of instabilities of currency market, that took place in 30's and 40's. The most difficult problem is a problem of stabilizing of currency market. A significant change in the position of key currencies (US dollar, euro, pound sterling) could destabilize global financial markets. To reduce the currency risk the central banks may cut transactions with foreign currency and it reduces efficiency of functioning of international currency market. To avoid such situation, the IMF comes running to the whole complex of measures, which will be discussed below.

The voting procedure is an essential tool of the IMF's activity. Depending on the importance of the issues discussed decisions is taken by simple or qualified majority. Usually simple majority makes the decision, but the most important issues requires "special majority" - 70% or 85% of votes. Member States have unequal number of votes; it depends on each country's share (quota) in the capital of Fund. Every country has 250 basic (initial) votes plus yet one vote for each 100,000 plus 1 additional vote for each Special Drawing Right (SDR) units that it has in the Fund. Therefore, distribution of votes is very uneven.

IMF's member countries with the biggest Quotas and Voting Power
(By the state on 2017) [60].

Country	Quota (percent of total)	Votes (percent of total)
USA	17.46	16.52
Japan	6.48	6.15
China	6.41	6.09
Germany	5.60	5.32
France	4.24	4.03
United Kingdom	4.24	4.03
Italy	3.17	3.02
India	2.76	2.64
Russian Federation	2.71	2.59
Brazil	2.32	2.22

Georgia's quota is 0,04 and Voting Power 0,07

OECD countries have 60% of the vote, the other countries - 40%.

9.2.1. The functions of the International Monetary Fund

The IMF carries out the following group of functions: surveillance of the monetary policies of the member states; the credit and financial activity and technical assistance; emission of SDR.

Surveillance of the policies of the member states in the field of setting exchange rates. Each country must provide the IMF upon its request information necessary for supervision. This is information about the real monetary, fiscal, and external sectors of economy, about the government's structural policies (privatization, labor market, and environment).

In the process of surveillance are detected potential imbalances that could destabilize exchange rates. Following the surveillance IMF provides relevant recommendations to governments.

Surveillance is carried out in three main forms: consultations, multilateral surveillance, and advanced surveillance.

Consultations are the final form of activities of the IMF mission, representatives of which annually visit the member states and are holding talks with leaders of the main economic institutions, with ministers of finance, of

economy, with directors of central banks. On the results of negotiations, the mission makes its opinion about the state of the economy of country and develops appropriate recommendations. Then these documents are to be reported to the meeting of the Executive Board, which makes the final decision.

The **multilateral surveillance** is carried out in the form of the analysis of the international economy in general, which is made by the Executive Board. The analysis is contained in special report "World Economic Outlook" (WEO) on the basis of which the forecast of development of world economy over the next 2-3 years is made.

The forecast includes the definition of the real growth rate of GDP, inflation, the state of balance of payments, the size of external debt, trade conditions, and the size of international reserves. The analysis reveals the place of each member country in an international economy, and the specificity of its problems.

Deep surveillance is carried out on the request of the government of country with the purpose of correction of its microeconomic imbalances. Usually it is performed when a country finds itself in difficult financial position, has a large external debt, and asks to postpone the timing of payments on external debts. In this case, the IMF makes quarterly analysis of the economy. Based on this analyses recommendations are developed on the correction of country's economic policy, and the government should strictly follow these recommendations.

9.2.2. Credit and financial activity is one of the most important functions of the IMF. It consists in the use of financial resources of IMF member countries and in crediting with the help of attracted resources.

Formation of IMF resources. Structure of Fund's Resources consists of two parts:

- The contribution of each country to the statutory capital of the IMF accordingly with its quotas;
- Borrowed money - credit lines from governments and central banks of IMF member states.

As of the 2008 statutory capital of IMF was 217 billion SDRs (1 SDR = 1.5 USA dollars).

Quotas. The contribution of each member country to the capital of the Fund is carried out on 25% in foreign hard currency (previously it was gold), and the rest - in national currency. The sizes of quotas are set based on the proportion of country in the global economy.

This takes into account: the size of the country's GDP; average monthly reserves; average monthly current payments and revenues.

Quotas are reviewed periodically, usually every five years, because of changing the country's place in the global economy.

The Fund also uses the **borrowed money**. On a concordance with the "Group of Ten", the IMF uses the loan from G-10 within the limits of 17 billion of SDR. In addition, the Fund receives loans from the central banks and treasuries of Saudi Arabia and some other states. The total size of borrowed funds should not exceed 60% of the total volume of quotas.

Credit and financial activity of the IMF is carried out in two modifications:

- *Agreement or transaction*, which presupposes providing money to countries from the own resources of Fund;
- *The operation* that consists in providing of intermediary financial and technical services through borrowed funds.

Credit operations are carried out only with the central banks and with stabilization funds.

Agreement or transaction is not a crediting in the full sense of the word. This is financial assistance. It is an exchange of national currency for the appropriate amount of foreign currency.

When a country takes the credit of IMF, it purchases the foreign currency by using national currency; when pays a debt - performs the reverse operation: uses its reserves of foreign currency to buy its own currency.

Member countries can use IMF resources in accordance with their quotas. The quota is divided into 4 parts, called **tranches**. The first tranche of the loan is up to 25% of the quota. It is called **the first part of quota**; it can be used automatically on first demand. The first quota share is also called **reserve share**. The sum of loans, provided by the Fund in excess of reserve share of the country, is called its **credit position**. Reserve share and credit position together form a **reserve position** of the country.

If the country wants to receive funds, which exceed its reserve position, the IMF puts more stringent conditions for crediting. These conditions are especially stringent in the case of granting the third and fourth tranches. These conditions are especially stringent in the case of granting the third and fourth tranches. They relate to country's economic policy. This policy must be directed at reducing the deficit of national budget up to the certain percent of GDP, the improvement in the trade balance, limiting nominal wage to a certain level. The stabilization programs of Fund include also cuts in public spending on education, health, and pensions. They often contain requirements to increase taxes, particularly indirect ones, and the abolition of subsidies on food products. Sometimes one of the requirements is the devaluation of the national currency. In this regard, implementation of hard IMF programs in countries with the deficit of the balance of payments often leads (at least for a while) to the limitation of the standard of life of the population.

Funding mechanism. The financial resources of IMF are provided in three modifications, which are called financial opportunities: regular, concessional, and special.

1. The **regular** funding, in turn, is divided into short-term and prolonged.

Short-term or stand-by is carried out within the limits of reserve agreements for a period of 12-18 months. This funding is to fix short-term macroeconomic imbalances. It is provided in tranches each of which makes 25% of the quota. Purchase of currency is carried out on terms of 2-7% annual. By providing credit, the IMF charges a commission fee in a size of 0,5% from the sum of the agreement. The repurchase of currency must occur in 5 years.

Prolonged agreements are concluded for the term up to three years. They are directed at a support of economic reforms in member countries. Repurchase of currency should take place no later than in 10 years.

2. **Concessionary funding** is intended for the least developed countries, whose per capita income does not exceed 825 dollars. This type of financing is provided on favorable terms under 0.5% of the annual with payment of the debt in 10 years.

3. **Special financing** is provided in connection with the extraordinary circumstances. These include natural disasters, social unrest, a sharp fall in prices of export commodities or increase in them for import. The special financing is carried out also taking into account the difficulties of the transition period, relating in particular to the countries of Central and Eastern Europe.

For this type of funding are created **special funds**:

- **The fund of the compensative and unforeseen financing** gives an opportunity to give assistance to the Member States in the event of damage from natural disasters and other external causes;

- **Fund for financing buffer stocks** is intended to restore stocks of raw materials or accumulation of their reserves;

- **Fund of systemic transformation** provides a financial assistance to countries that have trouble in trade and payment systems in connection with the transition to a market economy;

- **Fund of structural adjustment** is intended to assist in carrying out structural economic reforms in developing countries that have a low income, as well as to implement medium-term macroeconomic programs. This fund serves also countries with economies in transition.

Funds received from special funds, is the addition to credit shares of member countries; they allow to increase in the IMF the stock of their national currency in excess of the established limits.

Funding sizes. Within the framework of regular funding, a country can receive funds up to 300% of its quota; on concession agreement - up to 50%; a special financing is up to 30% of the quota.

Credit operations of IMF. Along with financial transactions Fund also carries out credit operations. Up to the middle of the 70-s, the IMF has been giving credits chiefly for the developed countries; later the situation has changed dramatically, and currently almost all loans go to developing countries and countries with economies in transition.

For example, as of March 2012, the total IMF loans amounted to \$ 254 billion [61].

IMF often makes the agreement with a country-member with the obligation to provide a certain sum of credit in the moment of its address to Fund. In this case, the country gets no cash but negotiates about the credit on the mentioned amount of money. The country could use this sum on the terms foreseen by agreement. Such credits can be prolonged for a period that exceeds initial.

The least developed countries get credits on favorable terms.

The largest debtors of the Fund were (as of March 2012), billion dollars: Greece (23,785), Portugal (23,742), Ireland (19,465) [61].

The credits of IMF, beside the direct purpose, are playing the role of the guarantor for the obtaining by the country of money from other creditors. If the IMF gave credit, it is an expression of confidence in a country's solvency.

9.2.3. The technical assistance of IMF consists in contributing to member states in implementing of their financial policy, monetary policy, of banking supervision, fiscal and tax policy, in the ordering of statistics, in the development of financial and economic legislation.

The technical assistance is carried out by sending of IMF's missions to the central banks and finance ministries of the country. Such assistance is provided by the request of the country. The experts of the mission are working in a country usually 2-3 years.

For training of personnel within the framework of technical assistance, the institute of IMF is founded in Washington. It organizes courses and seminars for advanced training of civil servants from the IMF's member countries.

9.2.4. The release of SDR is a specific function of the IMF to replenish international reserves.

Special Drawing Rights (SDR) is an international monetary asset. They are intended to supplement the official foreign exchange reserves, repayment of the balance of payments deficit of country and its settlements with the Fund.

SDR distributed among member countries proportionally their quotas. Countries, which have the account in SDR, may purchase the currency of other member states on the proper sum. For storage of SDR's amount above distributed limits, IMF pays to the owners their interest rates, which vary between 1 to 14%.

The share of SDR in global foreign exchange reserves is 2%. The course of SDR against the dollar is calculated based on "basket" of courses of leading currencies - US dollar, pound sterling, euro, and yen.

International Monetary Fund, despite certain contradictions and difficulties of functioning, is the main body regulating international monetary relations.

9.3. The World Bank Group

It consists of four main institutions - the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA); this group also includes International Centre for Settlement of Investment Disputes (ICSID), which has specific functions, but organizationally linked to the World Bank.

One of the objectives of the World Bank is encouraging the investments from member countries to other countries, especially to developing ones. However, the social and political instability in some regions makes it a risky investment.

To safeguard its members from financial losses, the World Bank creates in 1988 an organization, which would guarantee a compensation of possible losses from non-commercial risks - Multilateral Investment Guarantee Agency.

With the problems of investment is connected the establishment in 1966 of International Centre for Settlement of Investment Disputes. Thus, was formed the World Bank Group out of five organizations.

Despite some differences in their functions, all the organizations of the World Bank are closely linked, above all, through the unity of purposes: to promote a stable economic growth of member countries, assistance in the reconstruction of the economy of developing countries, promotion of the development of private sector, encouraging foreign investment. The Group also is single organizationally: almost all structures are subordinated to a single leader - President of the World Bank, and have a common administrative system. World Bank President presides at meetings of the Board of Directors and is responsible for the overall management of the World Bank Group activity. At the same time, these five subsidiary institutions of the World Bank differ functionally. Let us consider them.

9.3.1. The International Bank for Reconstruction and Development (IBRD)

The International Bank for Reconstruction and Development (frequently called the "World Bank") was established in 1944 (became operational in 1946), its headquarters is located in Washington, D.C., US. The IBRD's membership includes 189 countries, among them – Georgia, which joined Organization in 1992. IBRD has provided to Georgia concessional credits and loans to finance 69 projects, totaling US\$ 2,7 billion. The current portfolio consists of 12 investment projects totaling US\$ 789 million [62].

Main goals of IBRD:

- Assistance to member countries in economic development by providing long-term loans and credits;
- Encouraging foreign investment by providing guarantees or participation in loans and other investments of private creditors;
- Stimulating the sustainable balanced growth of the international trade, support the balance of payments of member countries;

Formation of IBRD's resources. The sources of their formation are statutory capital, consisting of subscriptions of member countries; borrowed funds; repayments of debt.

It is formed unconventionally. Member governments buy shares but pay only a fraction of their value (6%). The remaining capital is "untouched", and can be claimed by the bank only in the case of lack of resources for immediate repayment of its obligations. So far, there were no such cases. The guaranteed capital cannot be used for lending.

Subscription of member states on the bank's shares is carried out in accordance with their economic power [63, p. 309]. Each country has its quota in the statutory capital. Subscriptions and voting power (percent of total) of some

member countries in 2017 looked as following: Georgia - 0,08% and 0,11% accordingly; US – 17,2% and 16,28%; Japan – 7,40% and 7,02%; China – 4,77% and 4,53%; Germany – 4,32% and 4,11%; India – 3,13% and 2,98%; Saudi Arabia – 2,98% and 2,84%; Russian Federation - 2,98% and 2,84% [64].

External sources of funding. IBRD is a significant borrower in the global financial market. It issues bonds at 7% annually, which is very favorably to private investors. Their interest is fueled also by the fact that the bank gives guarantee for these bonds. In addition, private banks and other lending institutions also invest their money in bonds of IBRD. Through the bonds issue, IBRD forms 94% of its resources.

The credit policy of the IBRD. The main assignment of credits is stimulation of the development of private sector in member countries. Before deciding on granting a credit, to the country is heading the World Bank mission, which studies the economic situation, assess the feasibility of implementation of projects under the planned credits. The mission makes its conclusion and recommendations that the country must accept; otherwise, it could fail to obtain the credit.

Credits are granted only to governments, accordingly, to their central banks for financing of major projects under government guarantees.

Credits are granted for a period of 15-20 years. The credit rate exceeds the interest rate on an average of 0,5%. As the IBRD attracts borrowing with the rate of 7% per annum, the interest rate is an average of 7.5%.

For developing countries, the rate is lower. The poorest countries may get interest-free credit.

One of the features of the IBRD is the rejection of debt restructuring of clients, there were no cases of failure to return credit. Although profit is not the main purpose of the IBRD, it operates profitably. In the mid-90s on average for the year, a profit was more than 1 billion US dollars; it is used to replenish the resources of the IBRD. Dividends to its members the bank does not pay.

Initially, the IBRD was granting the credits for specific objects, mainly infrastructure, carefully selecting them. This restricted the scope of maneuver for the borrowers, which caused their discontent.

From 80s credits have become less tied to only specific objects. Apart from private sector enterprises, the bank began to credit state enterprises, but under the guarantees of government. The bank credits also sectors, where private capital goes reluctantly because of their high capital intensity or low profitability (energy, transport, agriculture).

Bank credits cover only 30% of the costs of the object, with the largest part of credits are directed in the infrastructure: energy, transport, and communications. From the mid-80s has increased the share of IBRD credits directed in agriculture (to 20%), in health and education. To the industry go less than 15% credits of Bank.

In recent years, the IBRD is engaged in settling the problem of external debt of developing countries: 1/3 of credits it provides in the form of so-called co-

financing. The bank provides structural credits for adjustment of economic structure, improvement of the balance of payments.

By purpose, the IBRD credits are divided into two groups – investment credits and systemic credits. The first are provided for specific projects and programs to companies, institutions, for training and innovation. The latter are intended to overcome the difficulties of macroeconomic character.

Systemic credits are divided into the following types:

- For structural adjustment - for financial support of transformation of economic policy and the implementation of institutional reforms in the countries that receive credits;

- For restructuring of the sector - to support changes in policy and institutional reforms in key sectors;

- Credits for reconstruction - in support of government policy of reforms directed to development of private sector;

- Credits for debt reduction - on help to countries with high debt [65].

For the least developed countries, the World Bank has worked out the HIPC Program - the Program for Heavily Indebted Poor Countries. The Program covers the 38 least developed countries and is aimed at stimulating economic reforms, improving the education system, developing agriculture, health care, fighting AIDS, etc.[64].

Granting credits by the World Bank has a demonstrative effect: its authority stimulates the credibility of private investors and other banks to direct capital to the countries that have received credits from the IBRD. Thus, the World Bank causes a very strong impact on the entire monetary market.

9.3.2. International Finance Corporation – IFC

International Finance Corporation founded in 1956. IFC is a member of the World Bank Group (WBG). Its headquarters is located in Washington, D.C., United States. IFC includes 184 countries, among them – Georgia (since 1995) [65].

The main goal of IFC is to promote economic growth in developing countries, by encouraging private entrepreneurship in the manufacturing sector.

The sources of funding are contributions of member states to the initial capital; credits from the IBRD; deductions from profits; funds from the repayment of credits; attracted funds in foreign markets.

The credit activity. IFC usually credits only highly profitable enterprises in the newly industrialized countries. For less developed countries is harder to get credit because of high-interest rates, which are above average rates for the major capital markets. The attractive side of these credits is that they are directed at the implementation of projects that would not receive funds from other sources. Usually, the IFC is funding not more than 25% of the total project cost; the remaining funds are being sought at the expense of private companies and commercial banks.

Unlike the IBRD, IFC does not require the government guarantees to invest. It deprives the private companies from state control. Another difference is that the IFC has not only provides loans but also invest in the equity of enterprises, created with the subsequent resale of shares to private investors. Since 1956 IFC delivered more than \$245 billion in financing for development [65].

Along with its primary function - to encourage private investments - IFC also provides to member countries technical assistance. In 1986, IFC established the Consultative Service for foreign investments to help governments of developing countries effectively use the investments. The scope of consulting - capitals, technology, management. Regularly is been issued out reference book "Database" concerning new markets [65].

9.3.3. The International Development Association – IDA

IDA was established in 1960. It is a member of the World Bank Group and is headquartered in Washington, D.C., United States. The International Development Association has 173 member countries, which are divided into two groups.

The first group includes 22 highly developed countries, as well as Kuwait and the United Arab Emirates. The second group comprises developing countries and countries in transition.

The main objectives of IDA:

- Promoting the economic development of member countries;
- Increasing productivity;
- Increase the standard of living in member countries, primarily developing countries.

IDA activities focused mainly on assistance to developing countries by the promotion of private sector development, mobilizing domestic and external sources of capital.

The sources of funding are profits of the IBRD, contributions of member states of the first and partially of the second group; repayment of credits that have been provided previously. Mainly, the resources of IDA are formed by "donors", which makes up the first group of countries. The share of the "Big Seven" is 80% of total contributions.

Mainly, the resources of IDA are formed by "donors", to which belongs the first group of countries.

The distribution of resources. IDA provides interest-free loans to the poorest countries. The criterion of "poverty" is the level of GDP per capita which does not exceed 925 dollars. IDA loans have a 10-year grace period and are repaid over 35-40 years. To the rest of countries the credit is granted at a rate of 5% annually.

Loans are granted mostly into infrastructure and agriculture. For example, in 1998 lending on agriculture took 18% of allocated IDA funds, on education - 16%, on health care - 14%, on transport - 13%, on energy - 12% [66, p.469].

Since 1960, IDA has provided \$345 billion to 113 countries. In the fiscal year ending June 30, 2017, IDA commitments totaled \$19.5 billion (including IDA guarantees), of which 17 percent was provided on grant terms [67]. Sometimes IDA and IBRD jointly credit the same object if it requires large funds. IDA credits are available only to governments under their guarantee. IDA has formed a fund to reduce the debts. It amounts \$100 million and is intended for the poorest countries. Loans are granted in countries national currencies.

9.3.4. The Multilateral Investment Guarantee Agency – MIGA

The Multilateral Investment Guarantee Agency is founded in 1988 and is headquartered in Washington, USA. MIGA includes 172 members [68]. Georgia became a member of MIGA in 1992.

Main goals of MIGA:

- Promoting the increase of investment flows into developing countries by providing guarantees, including insurance for non-commercial risks;
- Carrying out of research, collection, and dissemination of information to promote investments;
- Providing technical assistance to countries, holding consultations on investment issues.

The main activities of MIGA. It was created in order to attract potential investors into the developing countries, to protect them against non-commercial risks and thus encourage investment flows there. The non-commercial risks include war, social unrest, expropriation of invested capital, the inability to transfer profits abroad and so on.

Guarantees are only available to investors from MIGA member countries. The terms of guarantee - 15-20 years for direct investments, for borrowings - more than three years. The main requirement for provision of guarantees: the investor must be a resident of the MIGA Member States; the investment can be targeted to any country, even if it is not the participant of MIGA.

Guarantees of MIGA, in essence, are insurance, for receiving of which must be paid from 0,25% to 1,25% for every \$ 100 of the value of the guarantee. Since 1988, MIGA has provided over 900 guarantees for a total of \$ 17.4 billion.

MIGA provides advisory and promotional services through a special Department of Political and advisory services.

9.3.5. The International Centre for Settlement of Investment Disputes (ICSID)

ICSID is founded in 1966, headquartered in Washington, USA. It covers currently 161 Member States which signed the center's convention. Of these member states, 153 attained the status of Contracting states (which have ratified the contract). Among them - Georgia (since 1992). Such countries as Belize, Dominican Republic, Ethiopia, Guinea-Bissau, Kyrgyzstan, Namibia, Russian

Federation, Thailand have signed the ICSID convention, but have not ratified it. Such countries with large economies as Brazil, Mexico, India and South Africa are not ICSID members [69].

The main purpose of International Centre for Settlement of Investment Disputes is to promote the inflow of foreign capital by creating conditions for reconciliation and settlement of disputes between governments and foreign investors. ICSID is not a credit institution in the literal sense of the word; because of this, it is not always been considered as part of the World Bank Group, although by goals and organizationally it is associated with it.

The activity of ICSID. In the case of conflict, the centre acts as an arbitrator between the investor and the government of the country. The process of settlement of investment disputes has two forms: conciliation and arbitration. **Reconciliation** is achieved, if it is possible to convince both sides in the possibility to resolve the conflict by the way of mutual concessions. If reconciliation is not possible, the ICSID makes a reasoned decision in favor of one of the parties; this procedure is called arbitration [70].

9.4. Regional development banks

The collapse of the colonial system and the emergence of a large group of independent states created a new situation in the global monetary market. Virtually every developing country set a crucial goal to carry out industrialization, and as soon as possible. The idea to accelerate industrialization also attract those countries that have been independent of the mid-twentieth century but still remained on the agricultural stage of development, such as Latin American countries.

To carry out industrialization and for the creation of the necessary infrastructure, were needed considerable funds, which even the IMF and the World Bank could not provide in sufficient amount. To resolve this problem, were created regional banks that cover a large number of countries, located on one of the continents. The largest in terms of participants and the largest in size of operations are Inter-American Development Bank, Asian Bank of development, African Development Bank, Islamic Development Bank. In addition, other development banks address more local targets.

A characteristic feature of regional development banks is that they involve not only developing countries but also developed ones; the last group of countries serves as the donors of funds.

To promote socio-economic reconstruction in post-socialist countries located on a large regional space of former Soviet Union, as well as for Central European countries, was formed European Bank for Reconstruction and Development (EBRD).

9.4.1. The European Bank for Reconstruction and Development (EBRD)

EBRD was founded in 1990, and began operations in 1991. This period of time is the beginning of important socio-economic and political changes in Eastern Europe. The public and governmental circles of these countries became fully aware of the need of transition to market economy. However, the reorganization of the whole structure of the socialist economy has required considerable funds. The EBRD was established for replenishment of these funds, in order to encourage reforms.

The structure of the EBRD includes all European countries and a number of non-European countries - Australia, Egypt, Israel, Cyprus, Morocco, Mexico, New Zealand, Republic of Korea, USA, and Japan. In addition, as the heirs of the Soviet Union, the members of the bank became all Asian republics of the CIS. EBRD includes a total of 66 countries from five continents [71]. According to Charter of EBRD's, members can be both European and non-European countries, but they have to be members of the IMF.

Office of the Bank is located in London.

The main objectives of the EBRD:

- Assist CEE countries in the modernization of production facilities, the organization of competitive entrepreneurship in the private sector;
- Assistance in attracting investment in manufacturing, services, and financial sectors;
- Promotion of large economically substantiated projects;
- Technical assistance in implementing projects;
- Promotion the formation of capital markets;
- Assist in solving environmental problems.

Attention is drawn to the fact that among the most important goals of the international bank for the first time became environmental problems.

EBRD provides project financing of banks, enterprises, and companies by investing both in a new production and in the acting companies. He is also working with state-owned companies to support privatization processes and their restructuring. EBRD finances specific projects predominantly in private sector.

The main holders of bank loans are joint ventures with foreign sponsors. Bank finances up to 35% of the cost of the project. EBRD does not provide financing to enterprises of the defense industry, tobacco industry, manufacturing of means prohibited by international law, gambling, and projects that may adversely affect the environment.

The organizational structure of the Bank includes also the procedure of decision-making. In many cases, a simple majority takes decisions. But, when discussing the most important issues by the Governing Council or by the Directorate a qualified majority is needed (2/3 or 85% of the votes). Each country has a number of votes proportional to its quota in the charter capital. The biggest quotas have the US - 10%, Italy, Germany, France, Great Britain and Japan - 8,5%

each. Thus, no country alone can block a decision, even if the vote requires a qualified majority.

The formation of resources. At the creation of the EBRD, its capital has been forming by issuing shares worth of 10 billion of ECU. Later on capital has increased significantly (in 1996 - doubled). At the end of 2008, it amounted to 11.8 billion euros [72].

Quotas in the charter capital are distributed as follows (in%):

- The Member States, the EIB, and the EU itself.....51
- Countries of Central and Eastern Europe (CEE) 13
- The rest of the European countries 12
- Non-European countries 24

Therefore, countries of European Union have a critical impact on the EBRD. The financial resources of the Bank are forming also at the expense of loan funds, received in repayment of loans, due to revenue from sales of investments in equity capital.

The EBRD established **the special funds** at the expense of revenues obtained from investments. These funds are designed to prepare investment projects and investment in the member countries. The funds are used for lending to low-profit areas of social infrastructure.

Credit and investment policy of the EBRD. In accordance with the main objectives of the bank, its policy is aimed primarily at recovery and restructuring of countries of Central and Eastern Europe. The activity of the EBRD in this area is very diverse and promising. It includes loans at the development of production; investing in capital; underwriting; credits for reconstruction and infrastructure development. Priority areas of lending are financial sector, energetics, telecommunications, transport, and agribusiness.

The EBRD has become a significant investor in the CEE countries, it accounts for 15% of all direct investments in the region; the vast majority of them goes into the private sector.

Since 1994, the EBRD has been active in supporting Georgia's transformation towards a market economy. EBRD has been a critical partner in the development of the banking sector, renewable energy, private sector, including property, tourism and agribusiness, as well as micro, small and medium-sized enterprises. In December 2016, the EBRD Board approved the new strategy for Georgia for the next four years. The new strategy presupposes:

- continue to support private sector competitiveness through innovation, enhanced value added and convergence with the Deep and Comprehensive Free Trade Area (DCFTA) standards and obligations;
- continue to support small and medium-sized enterprises and local private sector via the local banking sector, by focusing on areas with high potential, such as agriculture, hospitality and innovation;
- deepen financial intermediation to enable private sector access to finance;
- help expanding Georgia's potential as a regional link through further modernization of the country's infrastructure;

- to support development of renewable energy, resource efficiency in order to enhance competitiveness and resilience of the economy.

In 2017 the EBRD cumulative investments in Georgia (with 202 projects) reached €2,98 billion. Its portfolio stood at €720 million with 73 active projects. About 41 percent of the investments portfolio is in the power and energy sector, followed by 28 percent in the corporate sector, while 23 percent of the portfolio is in the financial institutions sector, and infrastructure sector investments account for 8 percent [73, p. 11].

In 2015, the EBRD's Annual Meeting and Business Forum 2015 took place in Tbilisi, Georgia. The main theme of the conference was "Investing for Change" and this was the first time the conference had been held in the Caucasus region. Georgia was chosen to host the event in recognition of the country's progress in the reform process [74].

To support small and medium enterprises (SME) EBRD provides funds to domestic financial intermediaries (commercial banks) that lend to these enterprises.

EBRD performs large programs on environmental protection in the region of Baltic Sea, the Danube Delta, in the Black Sea water environment.

9.4.2. Inter-American Development Bank (IADB)

IDB was founded in 1959. Location – Washington, US. Its members are 26 Latin American countries, USA, Canada, Japan and 14 Western European countries, and even some Asian countries; the number of IDB shareholders today is 48.

The main goal of IDB is the financing of projects of technical and economic nature in developing countries, in the region. To this end, the bank provides credits and guarantees.

Bank **resources** consist of contributions from member countries and borrowed funds. The paid part of the statutory capital makes 10%. The Bank's capital is divided into the ordinary funds, the extra-regional funds, and the special ones.

Ordinary capitals form the countries of the region; it makes almost half of the total funds. **Extra-regional** funds are formed by the countries that do not belong to this region. The Bank has also numerous **funds**, the most important of which is the Fund for Special Operations.

In accordance with the quotas in the statutory capital of the bank are allocated a number of votes. Every country has 135 basic votes plus one vote for each share of its stake in the bank. More than a third of the vote belongs to the USA.

The credit activity. The Bank provides loans for finance the construction of economic facilities; wherein loan makes half of the total project cost. The interest rate on credits of ordinary and extra-regional capital equals in average of 10%,

credit terms - 10 to 15 years. The rate of credits from a special fund varies between 1-4%, and period - from 20 to 40 years.

The Bank provides credits of two types: "hard", which are granted on market terms, and "soft" - concessional loans from the special fund at a low interest. The Bank may provide credits both for the governmental and for the private borrowers. For private borrowers, loans are provided under appropriate safeguards.

IDB credits have target destinations; most of them goes for energetic, agriculture, and fisheries. The greatest amount of funds had received newly industrialized countries in the region - Brazil, Mexico, and Argentina. Was created IDB subsidiary - Inter-American Investment Corporation.

Investment activity of IDB is quite intense. In 2011, the total credit of 10,9 billion dollars [75]. To finance the projects, are used credits and grants. Grants are limited and mostly are provided to private companies. Bank helps its members access to international financial markets, providing them with guarantees.

9.4.3. African Development Bank (AfDB)

African Development Bank was founded in 1964. Its membership include 54 African countries and 24 non-African. Location - Abidjan (Cote d'Ivoire). Initially, under the Charter of the bank, its members should be only African states. But the acute shortage of funds forced to involve and some developed countries to capital formation. In 1973 was created the African Development Fund, formally independent, but in fact, it is part of the AfDB's structure. The Foundation members have become the highly developed states (US, Japan, Canada, some Western European states), and Saudi Arabia and Kuwait [76].

The **goal of the Bank** is to promote the economic and social progress of African countries.

AfDB's main objectives:

- Financing of investment programs and projects;
- Promoting government and private investment;
- The organization of joint financing (with other international development organizations);
- Provide technical assistance to member countries in the region in the preparation of development projects.

The organizational structure. The supreme body is the Governing Council, which consists of ministers or other high-level officials of the economic and financial institutions of the member states. Each country has one vote in addition to the number of votes proportional to the number of shares. No country has the right to veto. The Board of Governors meets once a year and solves the strategic issues of the bank's development.

The Board of Directors carries out the current work of the bank. It consists of 18 directors (12 - representatives of the countries of the region and 6 - non-regional states). The following committees have been formed on the Board of Directors: the Committee on Human Resources, the Finance Committee, the

Development Committee, the Committee on Administrative Cases, and the Budget Committee.

Resources of the Bank consist of contributions, most of which provide developed countries. By the size of capital, AfBR is the largest among the regional development banks. The largest quota in the statutory capital of AfBR belongs to the US (17.0%); Japan has 14.0%, Germany - 10.5%, France - 9.0%, Canada - 9.0%.

The credit activity. Credits are given only to African countries. Regular credit is given for a period of 12-20 years, from the account 9.5% annual plus fee of 1% [77, p. 24]. For the concessional loan is contracted fee of 0,75%; period of privilege - from 3 to 5 years.

9.4.4. The Asian Development Bank – AsDB

The Asian Development Bank was founded in 1966. Now the members of the Bank are 67 States (48 from within Asia and Pacific and 19 outside). Among the members – Georgia (since 2007) [78].

The **main objective** - to promote economic progress of developing countries of Asia.

The organizational structure. The highest policy-making body of the AsDB is the Board of Governors, which consists of one representative per Member State (a total of 67 representatives: 48 from the Asia-Pacific and 19 from outside the region). The Governors elect 12 members, which form the Board of Directors to perform full time duties. The Directors supervise AsDB's financial statements, approve its administrative budget, and review and approve all policy documents and all loan, equity, and technical assistance operations. The Board of Directors is led by the President (elect for a term of 5 years) and by management team comprising six Vice-Presidents, who supervise the work of AsDB's operational, administrative, and knowledge departments [79].

Resources of the bank are formed by contributions, primarily of developed countries. The largest quota of statutory capital belongs to Japan - 26%; Australia has 11%. The share of non-Asian countries (except Australia) is 33%. Thus, the share of developing countries accounts for only 30% of the quota. By 2006 AsDB capital amounted to 3,5 billion USD.

The credit activity. AsDB provides long-term credits. Since 1995, the Bank practices the granting of the partial guarantees on non-commercial risks. The priority object of crediting is the energetics.

In 1973 the Bank established the Asian Development Fund (PRA), which is intended to provide interest-free loans to the poorest Asian countries for a period of 40 years with the payment of commission of 1% annually.

In 1995 the bank has allocated a credit to Kazakhstan in the amount of 120 million USD, drawing, thus, into its sphere of activity the Asian republics of the former USSR [63, p. 299]. The largest amount of credit during the existence of the

Bank received Indonesia, Republic of Korea, Philippines, Pakistan, and Thailand, that is countries characterized by the dynamism of development. By the end of 2005, the largest debtor of AsDB has become China (15 billion USD).

In 2005, AsDB provided \$ 5.8 billion in various projects and programs. A significant part of these funds is devoted to the development of agriculture, as well as the development of social infrastructure.

In 2011, AsDB provided loans totaling \$ 21.72 billion [80].

9.4.5. The Islamic Development Bank – IDB

The Islamic Development Bank is an international Islamic financial institution, established in 1975 (in the year 1395 Hijri) by the decision of the Organization of the Islamic Conference.

The Bank's **principal office** is located in Jeddah (the Kingdom of Saudi Arabia). There are four regional offices in Rabat (Morocco), Kuala Lumpur (Malaysia), Almaty (Kazakhstan), and Dakar (Senegal). It also has two country gateway offices in Ankara (Turkey) and Jakarta (Indonesia).

At the present the Bank comprises 57 member countries. The basic condition for membership: to be a member of the Organization of Islamic Cooperation (OIC), pay its contribution to the capital of the Bank, accept terms and conditions of the IDB Board of Governors [81].

The goal of the IDB is to promote the economic development of Islamic countries and Muslim communities in other states in accordance with the principles of Shari'ah.

The **functions** of the Bank are:

- providing financial assistance to member countries for economic and social development;
- to establish and operate special funds for specific purposes including an assistance to Muslim communities in non-member countries;
- to accept deposits and to mobilize financial resources through Shari'ah compatible modes;
- assisting in the promotion of foreign trade among member countries;
- providing technical assistance to member countries;
- extending training facilities for personnel engaged in development activities in Muslim countries to conform to the Shari'ah.

According to the decision of the 38th Annual Meeting of the Board of Governors, the **authorized capital** of the IDB currently is 100 billion of Islamic Dinar (ID) and its **subscribed capital** 50 billion of Islamic Dinar. ID - Islamic Dinar is a unit of account of IDB, which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF). The composition of currencies in SDR basket denominating in Islamic Dinar are USD 41.9%, EUR 37.4%, GBP 11.3% and JPY 9.4%. [82]. The Bank's financial year is the lunar Hijra Year. The official language of the Bank is Arabic, but English and French are additionally used as working languages.

The credit activity. The Bank provides resources for the financing of foreign trade operations and projects in other sectors of the economy. The most important of all Islamic banking principles is the prohibition of riba (usury, interest). Riba is contrary to the principles of Shari'ah, which prohibits profit not based on own work. Riba is contrary to the principles of Shari'ah, which prohibits profit not based on own work. The loans are given interest-free; there is only some fee for banking operations. At the same time, the Bank invests in the industrial and agricultural objects, from the activities of which it gets the corresponding revenue.

9.5. The Bank for International Settlements – BIS

BIS is one of the oldest international banks. It was founded in 1930 based on the intergovernmental agreement by six countries - Britain, Belgium, Germany, Italy, France, and Japan.

A member of the bank has become also Switzerland, on whose territory Bank is functioning (Basel). The initial purpose of the bank was the settlement of payments of German reparations on the results of World War I.

In 30s years the composition of BIS has replenished by several European countries and in the postwar period - by non-European countries also, including the USA, Australia, South Africa and others. Now the number of members accounts 54 countries.

The essential feature of the BIS is that its main borrowers are central banks of member countries. For this reason, the BIS is often called "the bank of central banks". In addition, the members of the BIS are some private commercial banks, especially large US banks of Morgan group.

Bank for International Settlements is the stock company. The monetary unit, which it uses, is the Swiss franc with the content of 0.29 grams of gold.

Formation of resources. The main source - borrowed funds (deposits) of the central banks of the Member States in foreign currency or gold. Deposits are short-term, up to three months. These funds the Bank locates on market conditions in other central banks, international organizations, and in correspondent banks for profit and payment of interest on deposits.

The main objectives and functions of the BIS:

- Assistance to central banks in managing their foreign exchange reserves;
- Discuss strategic issues of monetary policy of member states;
- Agent functions for the implementation of international financial transactions of the Member States;
- Research in the field of monetary and financial policies in the interest of central banks.

In accordance with the basic functions, the BIS carries out purchase and sale, and storage of gold; deposit and loan transactions with the central banks; operations with currency and securities in international markets.

One of the most important functions of the BIS is regulation of international payments and the development of regulations on banking supervision.

To this end, at the Bank were established three committees:

- the Basel Committee on Banking Supervision,
- Basel Committee on payment and settlement systems,
- The Euro-currency Standing Committee.

The objective of the Basel Committee on Banking Supervision is to develop principles for effective banking supervision to prevent banking crises. The Committee has developed a number of documents that regulate banking activity in virtually all countries of the world. In addition, been developed norms and standards of international activities in various fields.

From the 90s in the focus of attention of the Committee were the countries of Central and Eastern Europe (CEE).

Regional Group on Banking Supervision of Transcaucasia, Central Asia and the Russian Federation.

The Regional Group on Banking Supervision of Transcaucasia, Central Asia and the Russian Federation includes Armenia, Azerbaijan, Georgia, Republic of Kazakhstan, Republic of Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

The Central Bank of Armenia accepted the role of the Secretariat of the Regional Group on Banking Supervision of Transcaucasia, Central Asia and the Russian Federation in 2005.

Supervisors of the large group of countries in the region (among them - Georgia) have formed a regional group of banking supervision CEE. The Committee supports the Group, giving it information and expert assistance, helping in training. Banking Supervision Department of the National Bank of Georgia maintains close contacts with members of the Group, actively participating in the work of its bodies **[83]**.

BIS maintains close contacts with the international institutions of monetary and credit market, especially with the IMF and the World Bank Group. BIS has a special relationship with the Group of Ten (G-10). The Bank is, de facto, the financial center of G-10.

From the 80s the Bank carries out the new type of activity. It provides interim credits to countries that expect a credit from the IMF and are in a difficult financial situation. This is done in order to support the economy of these countries up to obtaining IMF credits **[84]**.

Chapter 10. The regional integration groupings in Europe

10.1. The features of the evolution of integration processes in Europe

With the development of international integration processes, more and more important becomes formation of macro-regional integration associations. The formation of regional associations, as a form of integration interaction of states, has been initiated in Europe. Integration processes in Europe have reached the highest level in comparison with other regions of the world. It is precisely here operates the association, which has gone through all known at present stage of integration - the European Union. EU can be seen as a classic example of consistent economic integration at the regional level. At the same time, Europe showed examples of the establishment of such organizations that have not stood the test of time (Council for Mutual Economic Assistance - CMEA), or have undergone a significant reorganization in search of efficiency (European Free Trade Association - EFTA).

Historically, the first regional economic organization became the CMEA, which was founded in 1949. Of the European countries, it included the USSR, GDR (East Germany), Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Albania (suspended Membership of 1962); in some structures took part Yugoslavia. The purpose of CMEA was to promote the deepening and improvement of cooperation between the socialist countries, the development of socialist economic integration, and the planned development of the national economy, the rapid economic and technological progress. The activity of CMEA was based on long-term programs in the sphere of the economy; one of the last was a comprehensive program of socialist economic integration (1971).

Under the Charter, the Council for Mutual Economic Assistance was open to any other countries, which wish to join it; but it has been replenished only by other socialist countries outside Europe (Mongolia, Vietnam, Cuba). No one European non-socialist country not only wanted but also could not become a member of CMEA because of the incompatibility of market principles and administrative and command version of the economy.

Within the Council for Mutual Economic Assistance, the socialist countries have achieved a certain coordination of the foreign economic activity. The bulk of the foreign trade of each member country was within the CMEA, was constructed many common objects of the economy. However, the overall effectiveness of CEA was not high. The volumes of mutual trade of the CMEA significantly conceded to those of European Economic Cooperation (EEC); even less effective was integration in the monetary sphere, the movement of labor. The point is that CEA was primarily a political organization. Economic integration was seen as the subordinate process that should help to achieve political goals. In addition, under tight central planning, the process of integration had become unnatural and

substantially hampered. With the collapse of the socialist system as a political force, the CEA also ceased to exist showing its artificial character.

In another way, the integration processes have developed in Western Europe. True, at first, immediately after the Second World War, dominated the idea of the formation of a political union of Western European countries. It had to be opposition to the spread of communism to the West. In 1946 Winston Churchill called for the creation of United States of Europe, which would have been the single monolithic bloc of Western states. His speech gave rise to the movement for "united Europe". In various Western European countries began to form coordination committees, which would be instrumental in the implementation of the ideas of the British premier. At the end of 1948 was formed "the European Movement" [85]. In the same year, the Foreign Ministers of France, Great Britain, Belgium, the Netherlands, and Luxembourg signed the Brussels pact on the establishment of Western Union. Its purpose was ensuring the cooperation of member states in the economic, social, cultural, and military areas. Over time, this union has been supplemented by the European Council (1949), which included yet some Western European countries. In 1955, the Western Union has been renamed into the Western European Union.

However, real integration in Western Europe for some time did not happen because mentioned organizations have overtly political nature and among the leading European states at those times there have been political conflicts (especially between France and Great Britain). Even the Organization for European Economic Cooperation (OEEC) established in 1948 to implement US aid according to "Marshall Plan", did change nothing, since it also had primarily political aims. There existed need in a different approach to European integration. The political goals, as it turned out, not only did promote but also did interfere with the natural movement of the process of economic integration. It was necessary to postpone the task of political integration up to 90s. The political integration should have preceded economic integration, not vice versa.

The actual process of economic integration in Western Europe started almost simultaneously with attempts to make political integration. Project developers of economic unification of Europe have become Jean Monnet, head of the Commissariat for planning and administration in the government of France, and Robert Schuman, the French Prime Minister. The project was founded on the idea of establishing the European Coal and Steel Community (ECSC), and Robert Schumann has implemented it in life.

Postwar Europe was experiencing serious economic difficulties. In addition to the caused by war physical destruction of facilities of the national economy, economic situation deteriorated also by the lack of capital, by competition from the USA, which came out of the war as the even more powerful state. Under these conditions, the competition of the European countries among themselves in the most important industries hampered the exit from the economic crisis. Such industries at that time were power industry (primarily coal industry), and metallurgy. It is from these sectors started the coordination of economic activities

the Western European countries. In 1951, six countries - France, Federal Republic of Germany, Italy, Belgium, Netherlands, and Luxembourg - signed the agreement establishing **the European Coal and Steel Community (ECSC)**. This association was the "first sign" of the integration process. The coordination of the coal industry and the metallurgy was headed by the Supreme organ, which gained some supranational authority. Was envisaged, that after the implementation of the "Schuman Plan", would be also the integration of other industries.

ECSC quickly demonstrated its effectiveness, the economic relations between "six" became stronger, gradually was formed the mechanism of regulation of external relations based on mutual benefit. Subsequently, the negotiations on integration spread to other goods and services. Is emerging the idea of formation of a customs union, and then of the economic one. In March of 1957, the same six countries signed the Treaty of Rome establishing **the European Economic Community (EEC), and of the European Atomic Energy Community (Euratom)**. At the same time, these three organizations united into single community named "**the European Economic Community**". Whereby, all three components have retained their independent existence in the new organization.

In the formation of EEC, its founders hatched the ambitious plans. The main goal of the EU was proclaimed in Article 2 of the Treaty: "It shall be the aim of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States" [86].

Treaty provided the abolition of customs duties and quantitative restrictions on the import and export of goods between the Member States, the common commercial policy, the formation of the internal market. As time has shown, these intentions had come true. In particular, the formation of a customs Union was completed in 1968.

In 1969 at a conference in the Hague were decided to deepen further Western European integration, namely - the formation of the Economic and Monetary union with a common currency. The proposal came from the Prime Minister of Belgium Tindemans and plan of the union received his name. According to the Tindemans plan, The Monetary Union had to be established by the end of 1980, but this deadline turned to be unrealistic. Not all members of the EEC were ready to it ; by that time happened enlargement of Organization, the joining to it of new countries and the disagreements between EEC members on their economic development have increased, which hindered the implementation of the single monetary policy. However, in 1979 was created **the European Monetary System (EMS)**, which became a step toward monetary union.

European economic cooperation from the purely economic gradually turned into extensive social and political system, supplementing itself by non-economic structures. Since 1979 started working the European Parliament, consisting of

representatives of all members of the organizations. Was established European political cooperation to coordinate the foreign policies of member countries.

An important measure on the establishment of the economic and monetary union was the adoption in 1986 of **the Single European Act**, which declared the merger of economic integration and political cooperation in a single process. Act envisaged the completion of construction of the single Common Market by the end of 1992. This meant that will be completely eliminated barriers in mutual trade (including different standards in countries, differences in national legislations on business, etc.). As one of the main tasks of Organizations, that were outlined by the Act, was determined the cooperation in the field of foreign policy. Thus, the future union was considered not only as an economic but also as a political one. Here we see a new circle of the dialectical process: initially, the formation of the community was seen as a political union; insofar as this turned out to be premature, the driving force of unification became the sustainable economic integration; finally were established the conditions for a political union, already backed by economic base.

The Maastricht Treaty on the European Union fixed the political, economic, and monetary integration of Western Europe in December 1991. The Agreement has envisaged the only European citizenship; political union; economic and monetary union. The Maastricht Treaty was proclaimed as the beginning of a new stage in the process of creating the even closer union among the peoples of Europe. At the same time emphasized the continuity on the main achievements of the European Union: "The Union shall be founded on the European Communities, supplemented by the policies and forms of cooperation established by this Treaty. Its task shall be to organize... relations between the Member States and between their peoples" [87].

Thus, it is stated that political differences between the Western European countries no longer exists. However, in the 60s political and economic controversies almost led to a split Western Europe. The rivalry between the Great Britain and the continental European countries (particularly with France), the struggle for leadership caused the emergence of competing with EEC association - of European Free Trade Association (EFTA). It was formed in 1960 consisting of seven countries - of Britain, Denmark, Norway, Portugal, Austria, Sweden, and Switzerland. Unlike EEC, in this organization was envisaged only active cooperation in the field of international trade, and the main goal was considered to be the liberalization of international trade. No supranational institution was planned. It quickly turned out that EFTA is unable to compete with the more powerful European Economic Community. Gradually it began to disintegrate. Already in 1973 the UK and Denmark left the EFTA and joined the "Common Market". Subsequently, the organization was left by other countries - by Portugal, Sweden, and Austria, which are now EU members. Some countries, on the contrary, have entered the EFTA, in order to solve their foreign trade problems. The current composition of EFTA looks as such: Norway, Switzerland, Iceland, and Liechtenstein.

The objective process of deepening of west European integration promotes the economic convergence of the EU and EFTA. So, in 1991 two organizations concluded agreement establishing the **European Economic Area**. According to it, EFTA countries have significant benefits in the trade with the EU. However, in other areas of international economic relations exemptions do not apply.

With the collapse of the socialist system, on substantially new basis are developing the integration processes in Central and Eastern Europe. On the post-soviet territory emerged such organization as the Commonwealth of the Independent States, which unites former Soviet republics, except Baltic. CIS was established in 1991 and envisages close cooperation in the economic, political, cultural, environmental, legal spheres. For such cooperation, it would seem, there is a solid foundation, because in the early 90s ties between the former soviet republics, especially economic, were still quite strong. However, in circumstances which will be discussed below, the CIS has not become the effective integration association. Currently, in the post-Soviet space are occurring processes both integration and disintegration.

Part of the former Soviet republics joined **the Black Sea Economic Cooperation** (established in 1992) to address more local issues. The lack of effectiveness of the CIS, failure to solve within its framework the important problems of economic cooperation, leads to the fact that some of its members are looking for other ways to give impetus to the development of relations. Thus, the special status have relations between Russia and Belarus; deepening of integration is taking place between Russia, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan. Since 2010 began to operate Customs Union between Russia, Belarus and Kazakhstan. In 2014 the Customs Union was transformed into the Eurasian Economic Union, and in 2015 the EEU was joined by Armenia and Kyrgyzstan. On the other hand, on the post-soviet space emerges association GUAM - Georgia, Ukraine, Azerbaijan, and Moldova - with its own specific interests.

In Central Europe, a significant event was the creation in 1992 of the **Central European Free Trade Agreement (CEFTA)**. The agreement was signed by Poland, Czech Republic, Slovakia, and Hungary; later they were joined by Romania and Bulgaria. Now these countries joined the EU.

In the same 1992 was founded **the Council of Baltic Sea States**. It was formed on the initiative of Denmark and Germany; it includes all Scandinavian countries, Germany, Poland, Russian Federation, Estonia, Latvia, and Lithuania. Council contributes to the solution of regional problems in a wide range of international relations.

Social and political transformations in Central and Eastern Europe gradually remove barriers to the integration process of the whole of Europe (Western, Central, and Eastern). The initiative regarding European integration comes from the European Union. According to it were formed special economic assistance programs to Central and Eastern Europe which have helped to accelerate their economic development. In 1989 was developed PHARE program for Poland and Hungary; later it was spread on the Czech Republic, Slovakia, Bosnia and

Macedonia. To facilitate the reform process in the CIS was developed a program TACIS (Technical Assistance to the Commonwealth of Independent States). It includes technical assistance, the provision of "know-how", humanitarian and emergency aid.

10.2. The European Union (EU)

10.2.1. The objectives, principles, and organizational structure of the EU.

Let us consider in more detail the basic stages of formation and development of the EU.

The European Union was established in accordance with Maastricht Treaty signed in 1992 and came into effect in 1993. As already mentioned, the EU is a higher degree of evolution of Western European integration, which has passed the stages of the European Coal and Steel Community, and of the European Economic Community ("Common Market").

The European Union was launched by six countries, and now it includes 27 member countries. In May 1950, the then Foreign Minister and later Prime Minister of France Robert Schuman proposed to France, Germany and any another European country to combine resources in the coal and steel industry. This proposal has been called "Schuman Declaration". A year later, in April 1951 France, Germany, Italy, Belgium, Netherlands, and Luxembourg signed a treaty in Paris establishing the European Coal and Steel.

"Schuman Declaration" went beyond purely economic union. The main goal was to prevent lasting enmity between European countries, to achieve political and cultural association, the creation of a single European community that would forever prevent confrontation between nations of the continent. In the foundations of a united Europe were laid principles of peace, democracy, equal cooperation between countries.

The initiators of European integration understood that the unification of Europe is a long process. It was recognized that it should begin with the economic sphere. For the success of the integration process, it was necessary to form a legal framework, a system of institutions, some of which would have a supranational character.

In March 1957, the same "Six" signs the Rome Treaty establishing the European Economic Community and the European Atomic Energy Community. In the Treaty, the Sides note about purposes of Union:

“DETERMINED to establish the foundations of an ever closer union among the European peoples,

DECIDED to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe,

DIRECTING their efforts to the essential purpose of constantly improving the living and working conditions of their peoples,

RECOGNISING that the removal of existing obstacles calls for concerted action in order to guarantee a steady expansion, a balanced trade and fair competition,

ANXIOUS to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favored,

DESIROUS of contributing by means of a common commercial policy to the progressive abolition of restrictions on international trade,

INTENDING to confirm the solidarity which binds Europe and overseas countries, and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations,

RESOLVED to strengthen the safeguards of peace and liberty by establishing this combination of resources, and calling upon the other peoples of Europe who share their ideal to join in their efforts,

HAVE DECIDED to create a European Economic Community..." [86].

"Treaties of Rome" came into force on 1 January 1958. The same year was founded **the European Parliamentary Assembly**, whose president was elected Robert Schumann.

Economic cooperation of "Six" begins to deepen. In 1960 was established European Social Fund in order to facilitate the employment and the professional mobility of workers between member countries. In 1962, European countries initiated the conduct of common agricultural policy as an important element of integration. Was created the European Agricultural Guidance and Guarantee Fund (**FEOGA**, French: Fonds européen d'orientation et de garantie agricole).

For a long time, "Six" was essentially a closed grouping not replenishing with new members. Moreover, French President Charles de Gaulle said that his country categorically against joining the United Kingdom to EEC. The reason was the France's concern about the emergence within the Community yet another powerful competitor, to the same closely politically linked with the US.

On the other hand, the EEC drew attention to the markets of developing countries, particularly in Africa, which in the past were mostly colonies of France, Belgium, and Germany. For 17 of these countries was recorded associate membership by special convention in Yaoundé (Cameroon).

Integration process is deepening. In 1965 have been merged the executive structures of ECSC, EEC, and Euratom. In 1968 was signed an agreement on customs union; thus, economic integration has risen to a new, higher level.

Finally, 20 years after the association of "six" it starts to grow due to new members. In 1972, an agreement to join the European Community signed the United Kingdom, Ireland, Denmark, and Norway. However, Norway did not become a member of the Community because of the negative outcome of the population referendum on the issue. The other three countries have become members of the EEC in 1973.

In order to deepen integration in 1972 it was decided to create a European Monetary Cooperation Fund, and were identified new areas of community's

activity: conducting of joint regional, social, energy policy and environmental protection. At this moment was made the forecast about the establishment of Economic and Monetary Union in 1980; as we already know, this forecast was too optimistic. In 1974 is created the European Regional Development Fund (ERDF).

Gradually is expanding the composition of Associate Members of the Community. In 1975 is signed the so-called **Lomé Convention** (Lomé - the capital of Togo), according to which the Associate Members are becoming already 46 countries in Africa, Caribbean, and Pacific region. The Lomé Convention, replacing the Yaoundé Convention, was renegotiated and renewed three times. In 1979 was signed "Lomé II", in 1984 came into force "Lomé III", which signed 65 countries. The "Lomé IV" in 1989 signed already 69 states.

The process of enlargement of European Community itself also continues. In 1981, Greece joined EU, in 1986 - Spain and Portugal, in 1994 - Austria, Sweden, and Finland. Over 10 years the European Community existed having 15 members, up to 2004, when it has been enlarged by ten other countries, and in 2007 - by two more.

After the formation of the customs union and common market, came the turn of preparation for monetary union, the road to which proved to be quite long. In 1978 in Brussels was taken the decision to implement the monetary system, which would be based on a single currency unit - "ECU". Since 1979 the European monetary system came into effect. 31 January 1999 was introduced the new currency "euro", which replaced the ECU.

An important event of the integration process was the signing in 1985 in Schengen (Luxembourg) of the agreement, which is now known as the Schengen agreement on the abolition of border controls between Belgium, Germany, France, Luxembourg and Netherlands. Subsequently the Schengen agreement signed and the other Member States.

In the Schengen agreement stated that for the citizens of the EEC formalities at their common borders is much simplified. Is carried out only the visual inspection of private vehicles crossing the border at low speed, but not stopping. It was supposed to simplify the movement of citizens living in areas close to the common borders. The agreement identified the need to coordinate customs services and the police to combat crime. At the same time, control of the movement of citizens was shifted on external borders, and this control has become more vigilant and strict. Separately specifically was agreed on the need to prevent illegal migration from countries not members of the EEC.

In 1986 has been signed the Single European Act, which complemented and refined the Treaty of Rome. Finally, in 1991 in Maastricht (Netherlands) was adopted a draft treaty on the European Union. The Agreement was signed in 1992 and came into force in November 1993.

Maastricht agreement confirmed the continuity of the basic principles and achievements of European society and at the same time is determined that it starts making a new stage in the process of European integration [88].

Union was established based on the European Community, which was complemented by the sphere of policy and by the new formulas of cooperation.

After the disintegration of the Soviet Union and the entire system of socialist states, the European Union pays much more attention to relations with the post-socialist countries of Europe. In 1993 has been formed the Technical Assistance to the Commonwealth of Independent States programme (TACIS). From 1994 Georgia started preparation process to sign the Partnership and Cooperation Agreement (PCA) with the EU. The Agreement was signed by the EU Member States, the President of the European Commission and the President of Georgia in Luxembourg on 22 April 1996. The PCA determines the major framework for future relations between the EU-Georgia, and entered into force in 1999 [89]. Since the end of the 1990s, the European Union (EU) concluded similar partnership and cooperation agreements (PCAs) with the Republic of Armenia, the Republic of Azerbaijan, Georgia, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, with the Russian Federation, Ukraine, Tajikistan, and the Republic of Uzbekistan.

In 1994, the status of associate members was granted to Estonia, Latvia, and Lithuania. After 10 years, namely in May 2004, these Baltic countries, as well as Poland, Czech Republic, Slovakia, Hungary, Slovenia, Cyprus, and Malta were accepted into the ranks of the European Union. In 2007, to the EU joined Bulgaria and Romania.

So, today the European Union consists of 28 countries:

- | | | | |
|-------------------|-------------|-----------------|--------------------|
| 1. Austria | 8. Estonia | 15. Italy | 22. Portugal |
| 2. Belgium | 9. Finland | 16. Latvia | 23. Romania |
| 3. Bulgaria | 10. France | 17. Lithuania | 24. Slovakia |
| 4. Croatia | 11. Germany | 18. Luxembourg | 25. Slovenia |
| 5. Cyprus | 12. Greece | 19. Malta | 26. Spain |
| 6. Czech Republic | 13. Hungary | 20. Netherlands | 27. Sweden |
| 7. Denmark | 14. Ireland | 21. Poland | 28. United Kindom* |

***Brexit:** For the time being, the United Kingdom remains a full member of the EU and rights and obligations continue to fully apply in and to the UK [90].

The European Union and Georgia enjoy a very close and positive relationship. The EU-Georgia Association Agreement entered into force in July 2016 and strives for political association and economic integration between the EU and Georgia. The EU and Georgia have also entered into a Deep and Comprehensive Free Trade Area (DCFTA), while Georgian citizens have benefitted from visa free travel to the Schengen area since 28 March 2017. The EU

is Georgia's largest trading partner and provides over €100 million to Georgia annually in technical and financial assistance [91].

The economy of the European Union, according to the IMF, produces Gross domestic product (GDP) calculated on purchasing-power-parity (PPP) in the amount of \$ 20,008.129 billion [92]. The EU economy is the single market and in the WTO is represented as a single organization.

The main proclaimed objective of the European Union is facilitating the integration of Europe into a single economic and political entity for further economic and social progress of its peoples. From the contents of the main objective, stem the following subordinate important aims:

- Achieving a high level of economic development and employment;
- Creating a single area without internal borders;
- Establishing an economic and monetary union;
- Implementing a common foreign policy;
- Implementing in future the common defense policy;
- Protecting the rights and interests of the peoples of the Union by introducing a common citizenship

In 1997 been signed the Amsterdam Treaty, which has clarified and expanded the provisions of the Maastricht Treaty. In it, were confirmed the aims of European Union and, in addition, been supplemented the section on the realization of the common foreign and security policy.

The Amsterdam Treaty also contains a separate section on observance by the EU Member States of the principles of democracy, human rights and the priority of law, establishment of the "area of freedom, security, and justice" in the citizen's interest. The Treaty also emphasized the need to combat terrorism, racism, smuggling crime.

According to the Maastricht and Amsterdam treaties, the objectives of the European Union are determined as follows:

1. Promotion of balanced and long-term social and economic policy, in particular, through the formation of area without internal borders, through economic and social equalization, creating of economic and currency Union, the introduction of the single currency. Note that this option is practically completed;

2. The assertion of the European Community on international scene; in particular, through the implementation of common foreign policy and public security, providing the creation, if necessary, of a common defense system;

3. The strengthening of the protection of rights and interests of peoples of Member States, through the introduction of the citizenship of the Union;

4. Developing close cooperation in the field of judicial practice and interior affaires;

5. Saving the achieved level of integration of the Community and identify measures to further improve its functioning.

The EUs activity is based on the **general principles** of international cooperation:

- Loyalty to the principles of freedom, democracy and respect for human rights;

- Recognition of the rule of law;

- Respect of the national identity of the Member States.

The **jurisdiction** of European Union includes the following functions:

- The abolition of customs duties and quantitative restrictions on the import and export of goods between member states;

- Common trade policy;

- Common agricultural policy;

- Common transport policy;

- The convergence of national legislations of member states for normal functioning of the common market;

- The policy in the social sphere;

- The environmental policy;

- Increasing the competitiveness of EU industry;

- Promoting the research and technological development;

- Promoting a high level of healthcare;

- Promoting education, professional training, and culture;

- The policy of cooperation in promoting comprehensive development of Member States;

- The measures in the energy sector;

- The association with foreign countries to expand trade and promote joint economic and social development

The organizational structure of the EU is quite complicated and extensive. This, on the one hand, is due to the fact that the EU is multifunctional organization; and on the other hand - with the peculiarity of the evolution of the Union: the deepening of integration formed new bodies, but old ones were not liquidated. So, until now remained the European Coal and Steel Community (ECSC), Euratom, and the European Economic Community (ECC).

Organizationally EU is based on common foundations of the Western political system but has some of its own **differences**. They include:

- The combination of two types of institutions – of intergovernmental institutions and of supranational: individuals within the bodies of the first type act as official representatives of Member Countries; the functionaries of the second type are also appointed by their states but act as the independent persons.

- The flexible distribution of competences between the EU bodies and the national governments: In general, terms, competencies are distributed in three areas:

- Areas of common EU policies (agriculture, trade, etc.);

- Areas of mixed competence - on certain issues are responsible the EU authorities and in the rest - national governments (regional, social policy);

- Areas where functions of EU are reduced to coordination of actions of the Member States and to the development of recommendations (macroeconomic policy, environment etc.);

- A considerable number of decisions that are taking EU bodies are advisory in nature.

- Within limits, that defined by agreements, the law of EU prevails over the national laws of the Member States.

Functionally the European Union consists of three blocks:

- The European Communities (ECSC, EEC, and Euratom);

- Common foreign and security policy;

- Community in the field of justice and home affairs.

Each block has its own organizational structure; the main bodies of EU are common for all blocks, thus they are essential for the EU as a whole.

The main bodies of the European Union:

1. The European Council.

2. European Parliament.

3. The Council of the European Union.

4. Court of Justice of the EU.

5. European Commission.

6. The Court of Auditors.

On December 1, 2009, in the organizational structure of the European Union were established two important new posts - **the president of EU** and **the minister of foreign policies of EU**. This was a result of amendments to the Constitution of the Union. The first President of EU became former Prime Minister of Belgium Herman Van Rompuy, and the first Minister for Foreign Affairs and Security - British Baroness Catherine Ashton, who before was the EU Commissioner for Trade. The president is elected for two years and may be re-elected once for a second term.

The European Council is the supreme body of the EU. It consists of the heads of states or governments and of foreign ministers. The European Council gives the Union the necessary impetuses for its development and defines the general political guidelines. The Council meets twice a year to discuss the most pressing issues of the Union. The Council provides to the European Parliament a report on each annual meeting and a written report on its activities.

The European Council was established in 1974. During the meetings of heads of states and governments as well as of President of the European Commission (who is a member of the European Council) are discussed most important political issues of the Union, the state of the world economy and international relations, are defined the priorities of the European Union, are made decisions strategic character. The President or Prime Minister of country, which in this half-year has Presidency of the Council, chairs meetings.

The European Parliament is composed of representatives of EU States elected through the direct universal vote. The Parliament consists of 751 MEPs – Members of the European Parliament. The number of representatives from each country depends on the population of the country and its economic power. Representatives are elected for five years. In Parliament, they gather not by

countries, but by political parties (socialists with socialists, liberals with liberals, Christian democrats with members of their party from different countries, etc.).

The European Parliament is involved in the adoption of EU acts expressing its consent or advice. Previously, the role of parliament was just recommendatory, but according to the Maastricht Treaty, it now has a legislative function; some important decisions need its consent. Parliament also has controlling functions: it monitors violations of the rules and regulations by other bodies (European Council, the Commission, etc.). For this purpose, it can form a temporary Committee of inquiry.

Parliament has the authority in adopting the EU budget. It can amend the budget, may even reject the budget as a whole.

The European Parliament considers complaints of any person or entity on the oppression of their rights from the side of institutions of the Union; for this, it appoints the Ombudsman, who has the authority to receive complaints. Having found a violation, the ombudsman submits the case to the appropriate institution.

Parliament holds its sessions once a year. The President of the Parliament heads the meetings. The absolute majority takes decisions. The European Parliament is discussing on the sessions a report of the Commission; if MPs are dissatisfied with Commissions activities, they can express non-confidence vote; in this case, the Commission collectively retires.

Session of Parliament takes place in Strasbourg. Parliament activities are carried out under the direction of the Bureau, consisting of a chairman and 14 vice-chairmen, which are elected for the term of two and a half years. The agenda of sessions determines the Conference of heads of state or government. MEPs participate in the work of 20 Commissions on various activities of the EU.

Council of the European Union also called Council of Ministers because its members are ministers of the participating countries. In the Council, government ministers from each EU country meet to discuss, amend and adopt laws, and coordinate policies. There are no fixed members of the EU Council. Its composition depends on the policy area being discussed.

The Council ensures coordination of the general economic policies of the Member States. It has the authority to make decisions on important issues. In its work, the Council relies on the Committee of Permanent Representatives. The Committee is responsible for preparing the work of the Council and carries out the tasks assigned to it by the Council.

Among the powers of the Council of European Union are determined the following:

- The power to legislative activity;
- The right to appoint the president of the European Commission, the High Representative of the European Union, members of the European Commission, EESC, Committee of the Regions, the European Accounting Chamber, The European Court of Justice (ECJ), the Executive Board of the European Central Bank, Administrative Board of the European Investment Bank;
- The right to require from the Commission to initiate a new legal act;

- The right to conclude agreements with third countries or international organizations;
- The right to the drafting of the budget plan;
- The right to establish the amount of community own funds.

Council of the European Union develops the procedural rules of activities of the Union. It also sets the salary and rewards to officials of the Union.

The European Commission is the executive body of the Union. It ensures the compliance with all provisions on the EU formation by all its structural units. The Commission prepares recommendations for decision-making on the various issues of the Union activity, participates in developing of the most important activities carried out by the Council and Parliament. The Commission also prepares a general annual report on the activities of the EU.

The European Commission consists of 28 Commissioners (one from each EU country), elected on the basis of their general competence and whose independence is beyond doubt. The College of Commissioners includes the President, his seven Vice-Presidents, including the First Vice-President, and the High-Representative of the Union for Foreign and Security Policy and 20 Commissioners in charge of portfolios. The members of Commission by the fulfillment of their tasks should not take the instructions from their governments, should not do something outside the Commission. The day-to-day work of Commission is performing by its staff, organized into departments, each responsible for a specific policy area [93].

The main function of the Commission is to control how the Member States adhere to the decisions of European Union, to ensure that the competition between them would be fair and no one would get "illegal" benefits [94, p.36] - additional loans, grants and more. This also applies to individual firms if they compete unfairly, the Commission may decide to punish them by fine.

The Commission meets once a week in Brussels.

Court of Justice of the European Union (CJEU). The main goal of the CJEU is to ensure EU law is interpreted and applied the same in every EU country, and that all EU countries and institutions to abide by EU law. Seated in Luxemburg, the CJEU is divided into two courts:

- *the Court of Justice* which hears applications from national courts for preliminary rulings, annulment and appeals. It consists of one judge from each EU member country, plus 11 advocates general

- *the General Court* rules on actions for annulment from individuals, companies and sometimes national governments, focusing on competition law, state aide, trade, agriculture etc. It is made up of 47 judges.

The advocates general is responsible for presenting to the Court the motivated legal opinion on the Court's cases. Judges and advocates are elected from among persons concerning which there is no doubt in their independence, competence, and decency; they are appointed for a period of 6 years. Judges shall elect the President for a period of 3 years.

Court hears cases most often initiated by the Commission. If the Commission considers that the Member State fails to fulfill an obligation under the Treaties, it can refer the matter to the Court; the Commission thus provides motivated conclusions about violations.

A Member State which considers that its interests are afflicted by other members or by the EU organs sends its complaint first to the Commission and then before the Court. If the Court finds that the wrongdoing State has not fulfilled the Court's ordinance, this State would be fined, and the size of fine is determined by the Commission.

The Court considers the legality of acts adopted by the European Parliament, the Council, the Commission and the European Central Bank. The competence of the Court does not apply to the common foreign and security policy, to the cooperation of Member States in the field of justice and home affairs, which belongs to the sphere of international relations.

The individual or legal entity may challenge in court the actions of any court of the Union in relation to it [95].

The examined above organs are the main for the EU as a whole. However, as already mentioned, some blocks of the Union have their own specific structure. The European Community consists of the following organs:

- The European Parliament;
- The Council of the European Union;
- The European Commission;
- The European Court;
- The Accounting Chamber;
- The Economic and Social Committee;
- The Advisory Committee of ECSC;
- Committee of the Regions;
- The European Investment Bank.

As we can see, here is absent the European Council, but are added several other organs. The Accounting Chamber carries inspections. It consists of 15 members who worked in their countries in external audit bodies either have appropriate qualifications. Accounting Chamber examines records of all income and expenditure of the Community, provides to European Parliament and to Council of the European Union the document on the accuracy of the accounts and legality of transactions.

Checking is based on the financial statements. In the Member States, the audit is carried out in contact with national audit bodies. At the end of each financial year, the Accounting Chamber prepares an annual report that is sent to other institutions of the Community.

The European Economic and Social Committee (EESC) is an advisory, subsidiary body. It consists of 222 members representing three social groups: - employers; II - workers; III - others (farmers, consumers, etc.). In this regard, the number of representatives from each country should be dividable by 3. The largest number of representatives in EESC have Germany, France, Italy, UK (each on 24).

Spain has 21 representatives; Belgium, Greece, the Netherlands, Austria, Portugal, Sweden - each on 12; Denmark, Ireland, Finland - each on 9; Luxembourg - 6. The Council appoints committee members for a term of four years. They are completely independent in the performance of their duties and act only in the interests of the Community. With the accession of 12 new EU members, the seats in ECSC redistributed.

The ECSC's main function is to provide advice to the Council and the Commission on various aspects of economic activity. To this end, the members of the Committee are appointed the representatives of different social groups and different sectors of the economy. The Committee is composed of specialized sections on certain sectors of the economy.

Committee of the Regions is the representative of local and regional authorities in the EU. It consists, like ECSC, of 222 members, who are appointed by the countries on the same quota on four years. The Committee advises the Council or the Commission on regional problems, particularly on cross-border cooperation, breach of regional interests [95].

10.2.2. The economic policy of the European Union

As noted in the Treaty on European Union (Article 3a) the economic policy of the Member States and the Community shall be "conducted in accordance with the principle of an open market economy with free competition" [96]. The main provisions of the economic policy being developed by the Commission, then are discussed and approved by the European Council; the Council shall inform the European Parliament of the adopted recommendations.

The economic policy of the EU is conducted in the following directions: production (industry, agriculture, transport); movement of factors of production (capital, labor); regulation of relations between subjects of international Economics within the EU (competition, antitrust laws, etc.). Consider these areas.

The common trade policy. It is based on a customs union, structure of which was approved in 1968. The customs duties on imports and exports of goods between the Member States abolished; this applies both to the protectionist tariffs and to fiscal duties.

The rates of customs tariffs against third countries are common and approved by the Council on the recommendation of the Commission. Prohibited are quantitative restrictions (quotas, etc.) in trade between the Member States.

To encourage exports to third countries is implemented policies providing benefits to producers of goods, export of which are of interest for the EU. Common trade policy is based on uniform principles in relation to the conclusion of agreements with third countries. This applies not only to setting tariffs and quotas but also to joint measures concerning the practice of dumping on international markets.

In international trade, the EU applies the following protective measures:

- Antidumping duties;

- Countervailing duties against countries that subsidize their exports to the EU;
- Quantitative quotas, if excessive imports harm the industries of member countries;
- Various sanctions (increase of import duties, quantitative restrictions, cancellation of trade benefits), with regard to third countries that apply discriminatory measures against exports from EU member states.

In some cases, the embargo is imposed for political reasons (for example, Iraq).

In relations with the developed countries, the trade of the European Union is based on the principles of the GATT/WTO. Regarding developing countries, EU implements the policy of granting of preferences. As for the CIS countries, in overall, are applied the principles of the WTO, but in some cases, there are still trade barriers (in particular, the anti-dumping procedures and quantitative quotas).

The implementation of the common trade policy had effective consequences for the development of mutual trade in the EU. From 1960 to 1997, its volume has increased 40 times (within 15 countries in current prices) [97, p. 108]. Especially rapid was the growth rate in the 1970-1980s, that is, when was approved the formation of a customs union.

The most important evidence of the success of integration is the prevalence of growth in mutual trade of EU countries above their foreign trade as a whole. Thus, exports within "Six" has grown in the 1960-1970s 5,5 times, and its trade in general - only 3.8 times; for "Nines" in 1970-1980 biennium - respectively 6.2 times and 5.9 times.

However, with EU enlargement and the economic slowdown in Western Europe integration effect in trade decreased. Thus, over the period 1990-1997s, the mutual trade of the 15 EU countries increased by 1.3 times, while their foreign trade as a whole - 1.4 times [calculated by 97, p.122]. In the late 90s, the EU accounted for 39% of world exports and 36% of imports [calculated by 97, p. 32, 35]. In 2008, 38,6% and 39% respectively [98].

The industrial policy aims at improving the competitiveness of industry in the EU. For this purpose are being created necessary conditions: the promotion of the restructuring according to scientific and technical progress; the encouragement of initiative and entrepreneurship, especially of small and medium enterprises (SMEs); the promotion of cooperation between enterprises; the stimulation of innovation policy, implementation of research and new technologies into production.

In 1990, the European Commission developed the document "Industrial policy in an open and competitive economic environment", which has formulated the basic principles of industrial policy. Under this program, the special priority is given to high-tech industries. Are developed documents on the organization of research and development, technical standardization, European economic law, the formation of the unified system of energy supply and telecommunications and

others. These programs are called "pragmatic market industrial policy" [56, p. 435].

In order to promote the competitiveness of small and medium-sized companies was decided to create the European Economic Interest Grouping (EEIG). Association is forming by the signing of agreements between two or more participants of the member countries. EEIG coordinates the activities of its members, promotes their activities, and subsidizes the costs of research [56, p. 430].

The common economic policy, especially in the industry, implies the establishment of uniform standards for all EU countries. Great attention in the process of unification of standards is paid to the most modern industries - electronics, aerospace, engineering.

The great importance in economic policy is given to the fight against unfair competition between firms of member countries. Prohibited are actions (decisions, agreements between entrepreneurs), which may restrict or eliminate the competition within the common market. Such actions: fixing purchase or selling prices; production control; sharing of markets or sources of supply [56, p.70].

Agricultural policy is an important component of the overall policy of the EU. The objective of the agricultural policy is to increase agricultural productivity by promoting technical progress, securing the rational agricultural development, by optimum use of factors of production, especially human labor. In the Treaty (Article 33) is emphasized the need to provide an adequate standard of living for agricultural workers, in particular, by increasing the individual earnings. Very important is the stabilization of agricultural market, the regular supply, and sales of agricultural products at affordable for consumer's prices (In the Treaty (Article 33)) is emphasized the need to provide an adequate standard of living for agricultural workers, in particular, by increasing the individual earnings. Very important is the stabilization of agricultural market, the regular supply and sales of agricultural products at affordable for consumers prices [99, p.52-53].

To achieve the aforementioned objectives was established the common organization of agricultural markets. This organization deals with regulation of prices, provides producers with marketing services, and contributes to the stabilization of exports and imports of agricultural products. Is implemented a unified pricing policy.

To support agricultural producers in 1962 established the European Agricultural Guidance And Guarantee Fund - EAGGF (French: Fonds Européen d'Orientation et de Garantie Agricole - FEOGA).

The Fund was established in the framework of the plan "Green Europe", which provided for the creation of a common agrarian market. It subsidizes exports of agricultural products beyond the EU borders and thus contributes to "food intervention" of the countries of the Union on external markets.

Due to the effective agricultural policy, the EU countries not only provided itself by virtually all agricultural products, inherent to climatic zones of Europe, but they have become significant exporters.

A policy of stimulation of internal production and limitation of imports from outside has led to the fact that the prices of agricultural products on the EU markets are higher than world market prices [48, p. 256].

In 1984, EU agricultural policy has undergone reformation. The reform included:

- Setting fixed limits of overproduction after which the farmer would not receive a guaranteed price for the product;
- Move to the new pricing policy that takes into account the real state of markets of agricultural products and is focused on restraining growth to overproduction;
- Reduction in imports of agricultural products from third countries.

Subsequently, the EU abandoned the policy of guaranteed prices and gone over to structural adjustment policies in agriculture. New impetus to agrarian reform was given in 1992. The goal was to increase the competitiveness of farmers both in the Union and on global markets. An important element of the agrarian policy was the reduction of prices for basic foods, which stimulated the withdrawal of excessive ground out of usage. At the same time, farmers were compensated for lost profits.

Policy in the field of Transport and Communications aims to create a single transport infrastructure in the EU space. To this end, were developed and implemented common rules for freight and passengers transportations between the member states, were set uniform tariffs. Should be liquidated all obstacles on the way of transportation from country to country. However, for the least developed EU regions are allowed preferential tariffs; conditionality of such tariffs examines the Commission, it also provides an opinion on the matter.

To reduce disparities between regions and to establish a single economic space, the EU builds the system of trans-European networks in transport, the telecommunications, and energy complex. Particular attention is paid to the interaction of national networks. The formation of the single trans-European networks includes technical standardization and development of projects of implementation of achievements of the scientific and technological progress in the field of communications; the relevant authorities and EU funds fund such projects.

Promoting international movement of factors of production. The economic policy of the EU provides for the elimination of restrictions on the movement of capital and labor between Member Countries, liberalizing the movement of capital between the Member States of EU and third countries. Are prohibited the restrictions on payments between countries.

Is guaranteed freedom of movement for workers within the Union. It means the abolition of all discrimination on a national basis between representatives of the member states; the same is true of salary. All citizens of the Union have equal rights to safety and health protection. Separately are stimulated exchanges of young workers between States.

It is prohibited to restrict the freedom and business for nationals of the Member States on the territory of another Member State. This also applies to the

establishment of agencies, branches, and subsidiaries. All economic agents - both the residents and non-residents - within the Union have equal opportunities on the territory of each member country.

10.2.3. Monetary and credit system of the European Union

The formation of monetary and financial institutions of the European Union, features of their functioning are connected with the certain developmental stages of European economic integration.

The main elements of monetary integration are the following: the mode of jointly floating exchange rates; the currency intervention; the formation of a collective currency of international payment – reserve asset; common funds of mutual crediting of Member Countries to support exchange rates; international and regional monetary and financial Organizations for currency and credit regulation [66, p. 96].

From the very beginning of the Functioning of the European Economic Community under the Treaty of Rome was established the European Investment Bank (EIB) and the European Development Fund (EDF), then have also appeared other institutions. Monetary and financial institutions of the EU are integral elements of the European Monetary System, the highest achievement of the development of which was the creation of the European Monetary Union.

European Monetary System - EMS - was founded in 1979 on the initiative of the governments of France and Germany. It includes not all Member States; Britain did not immediately agree to become a party, and in 1992 came out of the system. EMS was established to regulate the exchange rates of the Community. To support the currency exchange rates was used the European Monetary Cooperation Fund (EMCF), which provided loans to the government to cover the deficit of the balance of payments.

To facilitate mutual settlements in 1961 was introduced the European unit of account (EUA), which had a gold content and functioned to 1972. In 1979, unit of account became the **ECU** (European currency unit). It was calculated based on the currency basket of 12 currencies. The emission of ECU was carried out by EMCF. ECU performed the following functions: it was the standard of value in exchange system; the indicator of deviation of market exchange rates; the unit of account in operations of currency interventions; means of payment between central banks.

Under the Maastricht Treaty began the formation of the Economic and Monetary Union. Was established the European Monetary Institute (EMI), which carried out the direct preparation of the European Monetary Union - EMU. The European Monetary Institute has replaced the European Monetary Cooperation Fund, which exhausted its functions. One of the main tasks of the EMI was to create conditions for the implementation of a new international monetary unit - euro.

For the introduction of the euro in circulation the states had to fulfill the conditions that are known as the convergence criteria:

- The rate of inflation must not exceed by more than 1,5 percent average in the three countries with the smallest increase in prices;
- Interest rates on long-term loan should not exceed 2 percent of the average for the three countries with the smallest increase in prices;
- The budget deficit should not exceed 3% of GDP;
- Government debt must not exceed 60% of GDP;
- For two years, the currency should not be devalued and its exchange rate should not go beyond fluctuations in exchange rates established under the European monetary system.

EMI accomplished its functions up to the beginning of 1999 when the Euro replaced the ECU. Thereafter, EMI has been replaced with the European System of Central Banks (ESCB), led by the European Central Bank (ECB).

Let us consider the role and place of each institution in the system of currency relations of the EU.

The European Investment Bank (EIB) founded in 1958; location - Luxembourg.

The main objectives of the EIB:

- Financing of investments in the economies of the EU;
- The development of the least developed EU regions;
- Reconstruction and construction of enterprises, which cannot be carried out by efforts of one country;
- Modernization of the sectoral structure of the economy;
- The establishment of joint economic projects that are of interest to the EU;
- The development of priority sectors.

The operating structure of the Bank consists of the Governing Council, Directorate, and President. Governing Council is the supreme body. It consists of finance ministers of member countries. The Council determines loan policy, approves the annual balance sheets, decides on granting loans, on the issue of loans, sets interest rates.

The authorized capital of the Bank consists of contributions from member countries. Each country has a quota that corresponds to its economic power. The largest quotas have Germany, France, UK and Italy. In addition, the bank is practicing the bonded loans. EIB's rating on the international currency markets is very high, therefore the commercial banks and companies are willing to give him a loan.

The Bank provides long-term loans to government authorities and private companies of the EU countries. Bank loans are directed mainly to the regional development of the relatively backward regions (e.g., South Italy). 75% of the total loans are obtained by the EU countries and the rest - mostly by the associate members. The interest rate is determined based on market rates. For crediting unprofitable projects in the associated countries are set preferential credits (for a period of 40 years) under 1,2%.

The European Development fund – EDF – came into existence in 1959 as the EU's main instrument for providing assistance to developing countries associated with the EU [100].

The management of the Fund carries out the Director General of the EU Commission for Cooperation and Development. Developing countries have the right of deliberative vote. The resources of EDF are formed based on gratuitous contributions of the EU countries. The largest quotas of contributions have Germany, France, Great Britain, Italy.

The function of EDF is crediting for compensation of losses in exports of agricultural and mineral resources, and coordination of the bilateral assistance programs to developing countries. To perform this function as parts of the EDF were established two special funds: MINEX and STABEX.

The MINEX Fund was established in 1980 to fund the associated countries in case of reduction of their exports of industrial raw materials due to the reduction in production in the EU countries. The STABEX Fund was created in 1975 to compensate the currency losses of the associated countries in the case of fall of export prices for agricultural raw materials.

European System of Central Banks (ESCB) began operating in 1999. Its main aims:

- Ensuring price stability;
- Development and implementation of a single monetary policy;
- Implementing the currency transactions in accordance with the Maastricht Treaty;
- Managing the official foreign currency reserves of the Member States;
- Strengthening the payment policy.

The core of the ESCB is **European Central Bank – ECB**. It is located in Frankfurt am Main (Germany). Its main functions:

- Controlling the money supply in circulation;
- Establishing the basic interest rates;
- Setting the limit of budget expenditures.

The emission of EUR is carried by the national central banks. In 2002 the euro replaced national currencies in circulation. Great Britain has not joined the European Monetary Union.

Governing bodies of the ECB include the Executive Board, the Governing Council, the General Council, and the Supervisory Board.

The Executive Board comprises the President, Vice President and four other members; it is responsible the implementation of monetary policy and the day-to-day running of the Bank. The Executive Board usually meets every Tuesday.

The Governing Council - the main decision-making body of the ECB – consists of the six members of the Executive Board and the governors of the National Central Banks of the euro area countries. It formulates monetary policy for the euro area and is responsible for current affairs in this area. The Governing Council usually meets twice a month in Frankfurt am Main. It assesses economic and monetary developments and takes its monetary policy decisions every six

weeks. The results of the Governing Council's monetary policy meetings are explained at a press conference held every six weeks and being published.

The General Council is responsible for relations between EMU and other EU countries. It comprises the President of the ECB, the Vice-President of the ECB, and the governors of all the national central banks (NCBs) of the 28 EU Member States. It can be regarded as a transitional body dealing with transitional issues of euro adoption, i.e. continues the tasks taken over from the former European Monetary Institute. The General Council will continue to exist until all EU Member States have introduced the single currency.

The Supervisory Board includes Chair (appointed for a non-renewable term of five years), Vice-Chair (chosen from among the members of the ECB's Executive Board), four ECB representatives, and representatives of national supervisors. The Supervisory Board meets twice a month to discuss, plan and carry out the ECB's supervisory tasks. It proposes draft decisions to the Governing Council under the non-objection procedure. The activity of the Supervisory Board supports the Steering Committee, which is composed of the Chair, Vice-Chair, one ECB representative, and five representatives of national supervisors (appointed by the Supervisory Board for one year based on a rotation system).

European Development Fund (EDF) established in 1975 to promote the development of backward regions in the EU by financing economic projects. Resources of Fund are formed from the common budget of the EU.

The main activity of the ERDF is to provide subsidies to address the economic development of the relatively backward areas of the EU. The bulk of subsidies received Italy, the Great Britain, Greece, Ireland [77, p. 120].

10.2.4. The social policy of the European Union

The social policy of the European Union aims to promote employment, improved living and working conditions of workers in member countries. It aims to provide social protection of the population, establishing partnerships between managers and workers, fighting unjustified layoffs of workers.

Among the objectives of social policy, one of the leading places occupies the improvement of working conditions, protection of the health and safety of workers. The aim is to ensure equality between men and women with regard to labor market opportunities and treatment at work. It is supposed to ensure the protection of workers after the termination of their contract.

The European Commission coordinates the cooperation between the Member States in the following areas:

- Employment;
- Labor law and working conditions;
- Social Protection;
- Preventing accidents at work and professional diseases;
- Occupational health;

- The right of association and collective bargaining between the management and labor;

- The Measures in these areas the Commission coordinates with the Economic and Social Committee (EESC).

To facilitate efficient resolution of social problems was created European Social Fund - ESF. The fund finances measures for employment of workers, improvement of their professional level, relief their adaptation to changes in production systems. The Fund is managed by Commission. The Committee, consisting of representatives of governments, trade unions, and employers' organizations, assists the Commission.

ESF was founded in 1960 and aims to increase the level of qualifications and skills of workers as a means of preventing the loss of jobs due to structural changes in economics. Initially, its funds have been used for financing activities linked with the resettlement of migrants and their adaptation to a new location. ESF had to direct the financing mainly to combat long-term unemployment, accelerating the integration of young people and adaptation of workers to industrial modernization processes. Since the 80s the largest share of funds is spent on the aid to young people in their search of work and qualification.

The European Social Fund is the main financial instrument through which the EU implements **the policy of employment**. Are developed the European Employment Strategy (EES). To implement the EES in 2001-2006's was funded 40 billion Euro; over 60% of these funds is directed at providing conditions of labor force reproduction.

Each member state develops an annual national action plan on employment. The European Commission and the European Council jointly examine each country's plans and present to the EU Council a general report on employment in the European Union.

The main goal of the European Employment Strategy is to develop new mechanisms for implementing public policies to reduce unemployment and create new jobs. The strategy singles out four main activities in the field of employment:

- Support for the process of reproduction of labor force;
- Development of entrepreneurship;
- Adaptation of the labor force to the new conditions associated with globalization, rapid technological change in the manufacturing process;
- Provision of equal conditions of employment (including women's equality with men).

The important part of the EU social policy is the development of **education quality**. EU supports the close cooperation of Member States in this direction. It extends the reformation of higher education in the framework of the Bologna process.

Education policy envisages, in particular, teaching in languages of the EU Member States and widespread of the languages of the Member States, the mobility of students and teachers, recognition of diplomas of educational institutions of all Member Countries, exchange of information and experience on

education. Special importance is the development of youth exchanges between countries. It is considered appropriate to develop distance education.

An important element of social policy is the promotion of **professional training**. It is regarded as an effective means of adapting to changes in production, and as a means to facilitate integration into the labor market. The policy encourages cooperation between educational and professional institutions and firms.

One of the important social goals is securing flourishing of cultures of the Member States. The EU policy consists in respecting national and regional diversity, but at the same time giving the priority to the common cultural heritage [101, p. 48-49]. The main directions of policy in the field of culture are to spread knowledge about the culture and history of European peoples; the maintenance and protection of cultural heritage of European significance; the non-commercial cultural exchanges; the development of artistic and literary creativity.

The social policy includes measures on **health care**. EU actions aim at improving public health care system. These actions include the study of the causes of health hazards, spreading of methods for their prevention. Special attention is paid to the fight against drug use.

A major social and political achievement became the introduction of **the common European citizenship**; a resident of each Member Country is also a citizen of the EU. This further facilitates the adaptation of migrants within the EU, contributes to the mobility of labor power.

Overall, EU social policy proved to be effective. However, not all problems are solved. Although the level of social security in all member states increased, the differences between individual countries are still noticeable. Thus, for example, in 1994, social expenditures per capita in Denmark amounted to 8,0 thousand ECU, in Luxembourg - 7,3 thousand, in Germany - 6,5 thousand, and in Greece - only 1,2 thousand, in Portugal - 1.4 thousand [102, p. 22]. For comparison, in 2009, the average EU expenditure on social protection of the population amounted to 6.9 thousand euros per capita. The largest social costs were spent by countries such as Luxembourg - 14.4 thousand euros per capita, Norway - 10.8 thousand euros, the Netherlands - 9.6 thousand. The least social costs were spent in 2009 in "new" EU member countries - in Bulgaria - 1.7 thousand euro per capita, in Latvia - 2.05 thousand euros, ;in Estonia - 2.7 thousand euros [103]. In order to achieve a more harmonious development of states within the EU, measures aimed at strengthening economic and social ties are being developed. The Council formed a special Cohesion Fund as a financial instrument of cohesion policy to reduce economic and social disparities within the Union, to finance the implementation of some social projects, particularly in the field of environmental protection [104].

10.2.5. Common foreign and security policy

Common foreign and security policy aims to safeguard the common values, the fundamental interests, independence, and integrity of the Union. It provides for the cooperation of Member States in the following areas:

- Defining the principles of the common foreign and security policy;
- Identify common strategies;
- Coordination of joint actions;
- Coordination of common positions;
- Strengthening a systematic cooperation between the Member States in the political sphere [105].

The European Council determines the principles and general direction of the common foreign security policy. It decides the issues of the joint strategy carried out in regions, where the Member States have important common interests. Member States shall inform each other of any issue in foreign policy to develop commonly agreed actions.

The common foreign and security policy includes the organization of joint defense. The Maastricht Treaty stipulates that the basis of the defense system of the EU will be the Western European Union (WEU). However, in the 90s significantly changed external conditions for Western Europe; the confrontation between East and West (for which was created WEU) lost its relevance. So in November 2000 it was declared about the dissolution of WEU. The defense policy of the EU now relies on membership of countries in NATO.

The Member States coordinate their activities through the international organizations and at international conferences where they form a common position. The countries, which are the permanent members of the UN Security Council, while fulfilling their powers have to defend the positions and interests of the EU.

To increase the effectiveness of foreign policy within the EU was established **the Political Committee**, which monitors the international situation. It has the authority to conduct on behalf of the Council the dialogue with third countries. The foreign policy and security policy are as well the spheres of responsibility of the Commission and the European Parliament.

A priority direction of EU foreign policy is to strengthen political and defense relations with NATO partners. In the 90s, emerged also new orientations. More and more often is mentioned that Europe is not just limited only by the West. After the disintegration of the Soviet Union, the Warsaw Pact, and CMEA, EU goes on rapprochement with **the countries of Central and Eastern Europe**. To support the reform process in these countries, the EU has signed a number of bilateral agreements on trade and cooperation, covering the following priority areas: facilitating access of goods to the markets of the Union; the cooperation in agriculture and the food industry; the promotion of investments; training of personnel; the environment [7, p. 215].

To support the reform process in the CIS was developed a program of Technical Assistance to the Commonwealth of Independent States (TACIS). It

provides technical assistance, transfer of "know-how" and gives humanitarian assistance.

One focus of EU foreign policy is the extension of this Organization. In 1993 was defined the so-called **Copenhagen criteria's** for EU accession of new members. The criteria are:

- *The political criteria*: stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities;

- *The economic criteria*: the existence of a functioning market economy as well as the capacity to cope with competitive pressures and market forces within the Union;

- *The institutional criteria*: the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. This requires the administrative capacity to transpose European Community legislation into national law, to implement it and to effectively enforce it through appropriate administrative and judicial structures [106].

The European Union concluded in 1992 with the countries of European Free Trade Association (EFTA) the Agreement establishing the **European Economic Area**, which provides for free movement of goods between the two Organizations.

The special character has the relations of the EU with the group of developing countries (69 countries), which are associated members. These relations govern the so-called Lome conventions (Lome - the capital of Togo). They provide certain benefits to these countries in trade, promoting the cooperation in industry, agriculture, in the economy, service sector and in the social sector.

10.2.6. EU Regional Policy

In the Treaty of Rome in 1957 was determined the need to reduce the significant differences in the socio-economic development of different regions of the EU. The main functions of the Regional Policy were assigned to the European Regional Development Fund (ERDF); its objective is to eliminate the significant regional disparities in the Community through participation in the development and restructuring of regions lagging behind in development [107].

The main goal of regional policy, therefore, is the elimination of regional imbalances of economic and social development in developed countries of EU, pulling up less developed regions to the level of more economically developed regions. It is an active form of solidarity boosting economic growth and improving quality of life through strategic investment in EU regions and cities.

There are **four principal priorities** of EU regional policy [107]:

1. *Research and Innovation*. Sustainable growth is increasingly related to the capacity of regional economies to innovate and transform, adapting to an ever changing and more competitive environment. The promotion of innovation is a central feature in the Cohesion Policy programmes for 2007-2013, where about €86.4 billion (nearly 25%) of the total allocation go towards innovations. In the new 2014-2020 programming period, 30% of the total allocations are going to be deployed for innovations.

2. *Information and communication technologies.* Over €20 billion from the European Regional Development Fund and Cohesion Fund is available for investment in the development of Information and Communication Technologies (ICT). These investments support Commission action to create a Digital Single Market.

3. *Making small and medium-sized businesses more competitive.* In order to achieve this goal the European Structural and Investment Funds will make available more than €450 billion to Member States.

4. *Moving towards a low-carbon economy.* €40 billion from the European Regional Development Fund and Cohesion Fund are to be invested in the low-carbon economy during 2014-2020, which will help Member States, regional and local governments to boost energy efficiency, development of renewably energy technologies.

The criterion of the development of the region is the volume of GDP and national income per capita and comparison of these parameters with the average for the country as a whole.

Principles of Regional Policy were formed in 1988. They include:

- Subsidiarity;
- Decentralization;
- Partnership;
- Programming;
- The concentration;
- Subsidiarity.

The principle of **subsidiarity** means that the higher authorities of the EU have the right and obligation to solve the problems that are not able to solve the authority below. That is if the regional government is unable to solve an issue alone, then this task takes on the highest organ of the state. Similarly, if the state cannot solve the problem, then the issue is taken to the supranational EU institutions (European Commission, Court etc.). In other cases, local and national authorities act independently.

The principle of **decentralization** means a redistribution of powers in favor of regions with a view to their effective use and promotion of local initiatives, and a clear separation of functions between different levels of government in the EU. The responsibility for carrying out regional policy lies with the local authorities.

The principle of **partnership** consists in the cooperation between entities at various levels (EU, national state, and region). According to this principle, all the ideas and projects should be coordinated by governing bodies at all levels. The procedure of partnership begins by drawing up of Regional Development Plans of joint financing, implementation, control, and ends with the evaluation of the results. The partners are authorities, representatives of public utilities, investors, banks, trade unions and others.

The principle of **programming** means the transition to the financing of integrated (not isolated) regional development programs.

The principle of **concentration** consists in the focus of efforts and resources on priority, the most important projects that are fundamental to social and economic cohesion in the EU.

The principle of **subsidiarity** is related to the financing of priority projects. It means that EU Structural Funds does not substitute, but only increase the funds of individual states to implement regional policies.

The regional policy also relies on specific regional programs of the EU. The means to their implementation are provided outside the regular financial support of EU structural funds. These programs are grouped as follows:

- National programs that meet the interests of countries that fulfill them;
- The supranational programs that are aimed at combining regional and sectoral activity of the EU;
- Long-term specific EU programs focused on the development of areas that have particularly severe starting conditions of financing;
- Integrated programs, financed by the ERDF together with the European Investment Bank.

The long existence of the European integrational community, which today has the shape of the European Union, showed the effectiveness of its policies in all spheres. Particularly impressive are the socio-economic effects of integration. The European Union has become a powerful global economic and political center of gravity, an influential force in international relations. This explains the desire of a number of countries, including Georgia, to become a full member of an integrated Europe.

10.3. European Free Trade Association – EFTA

EFTA was established in 1960 and included seven states, but as already noted, since then there have been significant changes in its composition. Today, EFTA includes Norway, Switzerland, Iceland, and Liechtenstein. The headquarters of Organization is in Geneva.

The main goal of Organization is to promote sustainable economic growth, full employment, the rational use of resources. To achieve this goal are set the following objectives:

- Ensuring the development of trade between member states on the principles of fair competition;
- Creation of equal conditions for supply of raw materials produced in member countries;
- Promotion of world trade and the gradual elimination of trade barriers [7, p. 224].

The organizational structure of the EFTA consists of principal and subsidiary organs. The principal are the Council; Standing Committees; Secretariat.

The Council is the supreme authority of EFTA. It includes representatives from each Member State. It takes decisions on all matters of EFTA's policy.

The Council on departmental principle forms **standing committees**. It is the committees: economic committee, on the origin of goods and customs issues, on trade, on Technical barriers to trade, the advisory committee of parliament, budget committee, on economic development, on agriculture and fisheries. Advisory Committee consists of representatives of industry, of trade, and of trade unions. In general, committees are developing recommendations for the Council.

The Secretariat composed of divisions dealing with trade policy, law, integration, information, and administration. It supports the work of the Council and Committees.

In addition to the main bodies, the managerial structure of the EFTA also includes subsidiary institutions: the Surveillance Authority, the EFTA Court, and others.

The European Free Trade Association, as it follows already out of the title, represents the second degree of economic integration - the free trade area. Inside it are eliminated all tariffs, but with regard to third countries (excluding the EU countries), each member maintains its customs policy. Unlike the EU, the Association does not provide the political cohesion.

An important event for the EFTA as well as for the Western European integration as a whole became the creation, together with the EU, of **the European Economic Area - EEA**.

The EEA Agreement was signed in 1992 and entered into force in 1994. To this Association belongs EU states and 3 countries from the EFTA; Switzerland not joined the Agreement.

The EEA Agreement provides:

- Free movement of goods, services, capital and persons;
- Coordination of policies in areas such as research, education, consumption, environment, social sphere;
- Development and implementation of common rules and regulations of the legal system.

Organizational structure of the European Economic Area. The *supreme* body of Organization is *the EEA Council*, which is composed of members of the European Union and the European Commission - on the one hand, and Ministers of the EFTA states - on the other. The EEA Council meets twice a year and its Presidency alternates each term between the EU and the EEA EFTA side.

The *executive body* of Organization is **the EEA Joint Committee** consisting of representatives of the EU and EFTA; it is responsible for the ongoing activities of the EEA, and prepares a progress report for each EEA Council meeting.

In addition, there are *advisory* bodies:

- **The EEA Advisory Committee** makes recommendations on economic issues and delivers them to the Joint Committee;
- **The Joint Parliamentary Committee** is composed of parliamentarians of the EU and EFTA (33 members from each side). It also gives proposals to the Joint Committee.

The EEA Council takes into consideration resolutions adopted by the EEA Consultative Committee and the EEA Joint Parliamentary Committee.

The European Union institutions also regulate much of the activities of the EEA.

The structure of EFTA has an institution that specifically deals with the activities of EFTA in the EEA; this is **the Standing Committee of the EFTA States**.

The formation of the EEA is even more important since it implies the free movement of the four of factors of production - goods, services, capital, and labor. EEA was created at the same time with the EU single market. Negotiations, with the purpose to prepare the text of the Agreement, began in 1990. At the meeting of Ministers of the EU Member States and EFTA, in 1990 in Brussels were agreed the positions on a number of important aspects of the future agreement, including the institutional structure of EEA.

The EFTA Surveillance Authority and the EFTA Court regulate the actions of members of EFTA relating their obligations under the European Economic Area (EEA). Switzerland is not a member of the EEA; it is not involved in these institutions. The EFTA Surveillance Authority performs the European Commission's role as "guardian of the agreements" for the EFTA countries, while the EFTA Court performs for them the role of the European Court of Justice.

10.4. The Commonwealth of Independent States (CIS)

10.4.1. The objectives, principles, and structure of the CIS

CIS was formed in 1991 on the territory of the former USSR and included initially 12 countries: Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

The CIS was founded in 1991 as a post-Soviet regional grouping that ultimately brought together all but three of the former Soviet republics.

In 1992 was signed the CIS Charter, which defined the objectives and principles of the Commonwealth.

The main goal of CIS is cooperation in political, economic, humanitarian, environmental, and cultural fields for comprehensive and balanced economic and social development of member states. Such cooperation, as declared, has to become the economic union; agreement on its establishment was signed in 1993.

The basic principles of CIS:

- The Member States are sovereign and equal;
- The Member States are independent and equal subjects of international law.

The last principle means that the Commonwealth would not move to the formation of a single state. However, the Charter provides a wide range of CIS functions; including cooperation not only in the economy but also in the collective security and military-political cooperation, conflict prevention and the like.

In practice, not all countries agreed to cooperate in all areas.

The organizational structure of the CIS is rather cumbersome. It includes 12 major bodies:

1. The Council of Heads of State;
2. **The Council of Prime Ministers;**
3. **The Council of Ministers of Foreign Affairs;**
4. The Coordination-advisory Committee;
5. The Council of Defense Ministers;
6. Headquarters for coordinating military cooperation;
7. Council of commanders of border troops;
8. The Economic Court;
9. Interstate Bank;
10. The Commission on Human Rights;
11. The Inter-Parliamentary Assembly;
12. CIS Executive Secretariat.

The Council of Heads of States is the supreme body of the CIS. It consists of presidents of member countries - and makes decisions on important issues of the Commonwealth. The Council meets twice a year under the chairmanship of the next regular President (in order of the letters of the Russian alphabet).

The Council of Prime Ministers consists of heads of governments, it considers the issues in the economic and social spheres. Council meets four times a year.

The Council of Ministers of Foreign Affairs is responsible for foreign policy of the Member States with the aim of its coordination.

The Coordination Advisory Committee is the executive body of the CIS. It consists of permanent representatives (two from each country). The Committee develops proposals for cooperation in all areas envisaged by the Charter and provides them for discussion to the relevant councils. Much of the work of the Committee is focused on economic issues (trade, fiscal, tax, monetary, foreign exchange, customs areas).

The Economic Court resolves economic disputes, ensures the implementation of economic commitments of Member States.

The Inter-Parliamentary Assembly is composed of parliamentarians of the Member States. It discusses the solutions offered by Councils and by the Coordination-advisory Committee, works out joint proposals related to the policy CIS.

The Executive Secretariat performs organizational and administrative functions. It prepares Councils meetings and provides legal expertise of draft documents prepared by other bodies of the CIS [7, p. 273].

The Coordination-advisory Committee is based in Minsk, The Inter-Parliamentary Assembly - in St. Petersburg.

Problems of economic integration in the CIS. There are many objective conditions for successful economic integration in the CIS. In the early 90's of the twentieth century the production ties between enterprises of the former republics of

the USSR have still been preserved. The long process of the division of labor within the Union has created the mechanism of complementarities, cooperation between the economies of the Union republics. It was necessary to adapt this mechanism to the new conditions related to the transition to a market economy. Moreover, the absence of language barriers, the cultural and even family ties seems had to contribute to the successful development of integration. However, in reality, this process goes on very difficult.

As already mentioned, the goal of governments of the CIS was the formation of the economic union. Its functioning would have meant the free movement of goods, services, capital and labor. Is anticipated the implementation of coordinated policy in the field of monetary relations, budgeting, pricing, and taxation, exchange relations, tariffs.

The objectives of the Economic Union is the stable economic development of member countries, the formation of a common economic space, a joint implementation of economic projects that represent common interest, solving the environmental problems [56, p. 255]. Treaty establishing the Economic Union involves the promotion of mutual investments; formation of Payments Union with mutual recognition of domestic currencies, the mutual convertibility of currencies which are necessary for the transition to monetary union. Already in the Charter was noted the need for intellectual property protection, promoting the standardization and certification of industrial products and goods. Attention was paid to the importance of common information space, the implementation of joint projects and programs in science and technology, education, health, culture and sports.

Today economic integration in the CIS, in fact, is at the stage of the zone of preferential trade. The path to economic union goes through the intermediate stages: free trade zone - customs union - a common market of goods, services, capital and labor force - monetary union. In 1994 was signed Treaty establishing the free trade area. It provides for a gradual reduction of customs duties and the formation of the future Interstate Economic Council. In the same 1994 was created Interstate Economic Committee of the Economic Union of CIS. It is a supranational body, which has to implement economic programs and solutions developed within the structures of the CIS. Was signed several important documents that have concretized the objectives of the Economic Union and have developed the mechanism of its action in various fields. They include the Memorandum of CIS states "The main directions of the integration of the Commonwealth of the Independent States", The Agreement on the cooperation in investment, The Agreement on the establishment of a zone of free trade and others.

However, many of these important decisions remain only on paper and are not implemented. There are two main reasons for this phenomenon. On the one hand, it is a consequence of the deep economic decline of the CIS countries, of the gap of economic ties between economic entities of the former USSR, and the difficulties of transition to the market economy. On the other hand, the situation created by the political ambitions of leaders, parties and some social groups of

countries of the CIS. In spite of the multiple declarations about the need to reduce tariff barriers, the CIS countries are acting in the opposite direction - they form a customs checkpoints, are imposing quotas, licensing mutual trade [48, p. 295]. Repeated meetings of heads of states and governments do not provide the adequate momentum of the integration process through the different interpretation of national interests of each CIS member. In 1998 the CIS was on the verge of dissolution.

There appeared a tendency to the weakening of the mutual economic relations. If in 1990 the share of mutual deliveries of 12 CIS states exceeded 70% of the total volume of their exports, in 1995 it was only 55% and in 2003 - less than 40%. Herewith, first of all, is reduced the share of products with a high degree of processing. It is estimated that about half of the decline in production in the CIS in 1991-1995 is caused by the reduction of their mutual trade turnover [108].

One of the main obstacles in the process of deepening integration within the CIS is an unwillingness to transfer the part of sovereignty to supranational structures, as it is done, for example, in the EU. The reason is that some governments of CIS countries fear the hegemony of Russia in the planned economic union. Russia has the obvious advantage on almost all economic indicators.

In 2008 Georgia withdrew its membership in CIS, which failed to prevent the military conflict between Georgia and Russia.

In this situation, steps are being taken to formation within the CIS of *local groupings of countries*, the divergence in views between which on the goals and methods of integration are minimal. The greatest degree of convergence of positions has happened between Russia and Belarus. In 1998 was signed the Declaration on closer economic and political integration of the two countries. Was formed the Union of Russia and Belarus.

In 2014 Russia, Belarus and Kazakhstan signed the Treaty for the establishment of **the Eurasian Economic Union (EAEU or EEU), which replaced** . The Treaty on the Eurasian Economic Union came into force in 2015. In 2015 occurred accession to the Eurasian Economic Union of Armenia and Kyrgyzstan. The EEU is purely economic association, all participants of which are independent and sovereign states. The Union presupposes the free movement of goods, capital, services and people. It also provides for common policies in macroeconomic sphere, transport, industry and agriculture, energy, in foreign trade and investment, customs, technical regulation, competition and antitrust regulation. The basic Agreements provide for a greater integration and possible introduction in the future of a single currency are envisioned.

The main governing bodies of the Union are: the Supreme Body is *the Supreme Eurasian Economic Council*, consisting of the Heads of the Member States; the second level is *the Eurasian Intergovernmental Council*, which comprises the Prime Ministers of member states; the executive body of the Union – *the Eurasian Economic Commission* represents supranational body of the Union; the judicial body of the Union – *the Court of the EAEU*

Gross domestic product of the EAEU in 2014 — \$2.2 trillion; volume of external trade of the EAEU with third countries in 2014 — \$877.6 billion (3.7% of the world export, 2.3% of the world import) [109].

Another grouping on the territory of CIS is **GUAM** [110]. This acronym consists of initial letters of the names of countries belonging to this organization: Georgia - Ukraine - Azerbaijan - Moldova. It was founded in 1997 in Strasbourg at the meeting of the presidents of the four countries. In 1999, the member of GUAM became Uzbekistan, but in 2005 left it. The official name of the GUAM is the Organization for Democracy and Economic Development.

In 2006, at a meeting of the Presidents of GUAM was once again confirmed the desire to contribute to raising the efficiency of GUAM as an integration grouping; especially was stated that the main goal of the organization is to promote democratic reforms in the region.

The formation of local integration groupings within the CIS could have the opposite effect. On the one hand, these processes are potentially dangerous to the integrity of the CIS and its very existence. On the other hand, if will be proven the effectiveness of these groups, or some of them, they can become the focus of strengthening of the integration process in the CIS as a whole.

10.5. Black Sea Economic Cooperation (BSEC)

BSEC was established in 1992, with the adoption of the Declaration on Black Sea Economic Cooperation. The Secretariat of the BSEC is located in Istanbul. By BSEC includes 12 countries: Azerbaijan, Albania, Bulgaria, Armenia, Greece, Georgia, Moldova, Russia, Romania, Serbia, Turkey and Ukraine [111]. They either directly border the Black Sea or have economic interests in the area of its basin.

The primary motive of BSEC formation was the need to remove obstacles in the usage of transport routes, and the solving of the environmental problems. The main feature of the functioning of the organization is the prevalence of bilateral relations over multilateral. The BSEC is the first major integration grouping of countries, which until now evolved, focusing on various economic and political models.

The main goal of the BSEC is to transform the Black Sea into the sea of peace, stability, and prosperity. The **objectives** of Cooperation are defined as follows:

- Improving the conditions for business;
- Promoting economic cooperation;
- Optimal use of all opportunities for expansion and diversification of Cooperation [7, p. 178].

The BSEC covers almost all spectrum of cooperation between the Member States at multilateral and bilateral level. The priority is given to areas that create the conditions for national economic development.

Most relevant became the cooperation in the spheres of infrastructure creation, such as ensuring energy transit through the territory of countries-members of BSEC, as well as the development of European transport corridors in the region.

The organizational structure of BSEC:

1. Meeting of Foreign Ministers;
2. The Council of BSEC;
3. The Parliamentary Assembly of BSEC;
4. The Black Sea Trade and Development Bank (BSTDB);
5. The meeting of senior officials;
6. Working Groups;
7. The Permanent International Secretariat;
8. BSEC Coordination Center for the Exchange of Statistical Data and Economic Information.

The meeting of foreign ministers is the governing body of the BSEC. It takes decisions on all issues of Organizations functioning. President (one of the ministers) coordinates all the activities of the BSEC.

BSEC Council consists of representatives of business councils of Chambers of Commerce of Member States.

The Parliamentary Assembly consists of the Bureau, the Standing Committee, committees of the economy, trade and the environment.

The Permanent International Secretariat (located in Istanbul) performs administrative functions [112].

The Black Sea Trade and Development Bank (BSTDB) was founded in 1994, it began lending in 1999. It is headquartered in Thessaloniki, Greece. The objectives of the Bank is financing infrastructure projects; attracting investment; cooperation with international financial organizations. The charter capital is 1 billion SDRs. The quotas of individual countries are Russia, Greece, and Turkey - 16.5% each; Ukraine, Bulgaria, and Romania - 13.5% each, Azerbaijan, Georgia, Albania, Armenia, and Moldova - 2% each [56, p. 261]. Later the share of Moldova, Armenia, and Georgia has been reduced to 1% for each - at the request of those countries, thus helping the countries to reduce the volume of their debts to the bank.

The main areas of cooperation of BSEC members are: transport and communications; computer science; exchange of economic and commercial information; standardization and certification of products; energetic; mining and processing of minerals; tourism; common household; healthcare and pharmaceuticals; science and technology; environment protection. Particular attention is paid to the prevention of pollution of the Black Sea and the preservation of its bioproductive potential.

Within the framework of the BSEC are created International Centre for Black Sea Studies, as well as the scientific center of BSEC.

Despite the undoubted achievements in terms of integration within the BSEC, for most of the Black Sea region countries the trade with BSEC partners does not take the leading place in the total turnover of their external trade and is

not an absolute priority in foreign policy. Geographical distribution of trade flows shows that foreign trade of the member countries of the BSEC is largely focused on developed countries, especially the EU.

This indicates that among the BSEC member states had not yet been formed a rational division of labor that is the necessary component of the regional market. In addition, the limited production range and the unbalanced commodity turnover, a significant proportional weight of the energy sector and mining industry are the natural obstacle to the liberalization of foreign trade regimes in the region. However, these problems are gradually being solved.

Chapter 11. Regional integration associations in Asia, the Americas, Africa

11.1. Regional organizations in Asia and the Asia-Pacific region

Asia is a huge territory occupied by the countries, which sharply differ in size, population, economic power, by cultural and confessional features. This, in contrast to Europe (more homogeneous), creates additional obstacles to integration. Despite the efforts of country leaders of the region, the integration here so far has not gone beyond the free trade zone. The share of mutual trade in the full volume of foreign trade, which is an indicator of the integration level, is much lower for member states of associations, than their share in trade with other countries.

However, this region has a huge potential - both human and natural resources, and in the levels and rates of production. If we take only Asia, there are two economic giants such as Japan and China; newly industrialized countries with rapid development rate such as Republic of Korea, Singapore, Thailand, Philippines; countries with potentially broad domestic markets namely India, Pakistan, Indonesia; transition countries that can receive new impetus that is Russia, Asian and Caucasian republics of the former USSR; oil-producing Gulf countries that have not only oil, but also control significant amount of foreign currency.

Recently, to the Asian integration process joined also non-Asian countries of the Pacific region such as the US, Australia, New Zealand, Canada, the states of the Ocean islands. Thus is forming huge territorial and economic power space called **the Asia-Pacific region**.

The formation of regional economic organizations in the Asia-Pacific region began shortly after the Second World War and coincided with the beginning of the general decolonization of the region. Active participation in the process took the UK, who led once huge colonial empire and had here certain interests. Later, interests in the liberalization of trade and investment conditions in the region have revealed the United States, Australia, New Zealand. Japan long ago considers the Southeast Asia and the Pacific as the sphere of its own economic and political interests. Thus, developed countries are either present in the organizations of the region or are affecting their activities.

Among the first regional groupings were the South Pacific Commission - SPS (1947), "Colombo Plan" (1950), Association of Southeast Asian Nations - ASEAN (1967), The Asian Productivity Organization APO - (1961). Exactly these organizations have to give impetus to the development of the former colonies through cooperation in the economic sphere. Subsequently appear associations on a new basis. Through the efforts of the Middle East countries, was formed in 1960 OPEC (it was discussed in previous sections), the Council of Arab Economic Unity - CAEU (1964), Organization of Arab Petroleum Exporting Countries - OAPEC (1968), the Gulf Cooperation Council - GCC (1981). To these organizations have joined countries, which got rich on oil, have common political

interests (at least until Iraq war with Iran and the United Arab Emirates), common culture, and religion. They have not relied on the support of Western countries, on the contrary, from time to time found themselves in opposition to them. Organizations of this type are closed or half closed, because they are restricted by not only region but also to the national (language) and religious basis.

As a sub-regional grouping, the South Asian Association for Regional Cooperation (SAARC) was founded.

In the 70's-80's, the appearance in the world economic space newly industrialized countries (NICs), China's economic spurt, changed the situation in the Southeast, East Asia, and Oceania and have attracted even greater attention to the region from the developed countries. In 1971, the Pacific island countries are uniting in the South Pacific Forum (SPF) under the auspices and with the participation of Australia and New Zealand. In 1989 was formed the world's largest, in terms of space and volume of resources, association - the Asia-Pacific Economic Cooperation (APEC), into which have entered, except Asia and Oceania, also the USA, Canada, Australia, New Zealand and some Latin American states.

Socio-economic transformations in the former socialist countries of Asia contributed to their accession to the integration groupings in the region. Thus, in 1985, into the Economic Cooperation Organization (ECO), which was founded by Turkey, Iran, and Pakistan, entered Azerbaijan and the Central Asian republics of the former USSR. In 1997, in APEC was adopted Russian Federation, and in 1999 - Vietnam.

11.1.1. The Asian-Pacific Economic Cooperation – APEC

APEC was formed in 1989. It consists of Australia, Brunei, Vietnam, Hong Kong, Indonesia, Canada, China, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Singapore, USA, Thailand, Taiwan, Philippines, Chile, and Japan. The Secretariat of the organization is located in Singapore [113].

APEC has consultative status. Its policy is based on a number of joint declarations and statements of states leaders on economic issues: the Seoul APEC Declaration, Bangkok Declaration on Asia-Pacific Economic Cooperation, the Osaka Action Agenda and others.

As already mentioned, APEC has great potential of human and natural resources, the strong manufacturing base, and controls the large part of commodity and currency markets. Its share (excluding Russia) in world GDP is 60%, in world trade - 40%, and in foreign exchange reserves - 80% [56, p. 282]. The region is home to more than 2 billion people.

The main goal of APEC is to promote the economic growth of the Asia-Pacific region. For this are identified **the priority areas** of cooperation: promoting regional trade, investments, the movement of financial resources, the human resources development, the technologies transfer, the industrial cooperation and the infrastructure development.

As **the long-term goal** of the integration process is set the establishment in 2020 of the system of free trade and investment. So, today, APEC is only at the initial level of integration.

The principles of APEC's activity: the equal partnership; the mutually beneficial economic cooperation, taking into account the developing countries; the tendency to open dialogue and consensus in the discussion of important issues.

The focus of APEC's policy is the liberalization of conditions for trade and investments. In an effort to create a free investment zone, APEC countries take measures to stimulate the flow of capital between countries of the region, to reduce the number of sectors closed to foreign direct investment, to simplify the visa regime for businesspersons, to provide access to economic information.

Notwithstanding of politicians determination, the integration process is still slow. The main reason is a very high difference in levels of economic development of the member countries, which creates significant difficulties for the harmonious fusion of national economies together. The peculiarity of the APEC's functional and legal structure is the recommendatory, optional nature of the decisions, taken by its authorities. This situation is inherent in the initial stage of integration.

11.1.2. The Association of South East Asian Nations – ASEAN

ASEAN was founded in 1967. It consists of 10 members: Brunei, Vietnam, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, and Thailand. The combined population of the member countries of ASEAN is about 634,5 million people. ASEAN countries cover a land area of 4.4 million square kilometers, and their combined GDP in 2016 was more than US\$2.569 trillion [114].

The peculiarity of this organization is the cooperation with some other countries according to the degree of their importance: some of them are defined as the dialogue partners, some – as the consultative partners, and some - as observers.

The dialogue partners are Australia, European Union, Canada, New Zealand, South Korea, USA, and Japan. **The consultative partners** are Russia and China.

The governing bodies of ASEAN are located in Jakarta, Indonesia.

The main purpose of ASEAN is accelerating economic growth and social progress in the region through the close cooperation and mutual assistance in economic, social, cultural, and scientific-technical spheres.

The more concrete objective is the establishment of a free trade area.

ASEAN's organizational structure is very complex; it consists of 15 bodies that are similar to those of the APEC. The most important organs are:

- **Meeting of Heads of State and Government** is the supreme body that addresses the most important issues and outlines the principal directions of ASEAN's policy;

- **The meeting of foreign ministers** addresses the problems of relations between the member states;

- **The meeting of ministers of the economy** defines the main directions of economic cooperation;

- **The meeting of sectoral ministers** develops the areas of cooperation in energy, agriculture and forestry;

- **The Secretariat** carries out coordination work. It is headed by the Secretary General (at the ministerial level). The secretariat is responsible for the relationship between ASEAN and other states and international organizations;

- **The ASEAN's Standing Committee** is an executive body. It consists of the Secretary General and General Directors of the ASEAN's National Secretariats.

The ASEAN includes both countries with dynamic economies (Newly industrializing economies - NIEs) - Thailand, Singapore, Philippines, Indonesia, - and countries that are just out of a deep economic crisis - Cambodia, Laos, Vietnam. This leads to some difficulties in the integration process. To its acceleration was designed a special mechanism of a free trade zone - AFTA (ASEAN Free Trade Area). This agreement aims to support local manufacturing in ASEAN countries through the elimination of tariff and non-tariff barriers within the alliance. AFTA does not apply a common external tariff on imported goods, however for goods produced within ASEAN, its members are to apply a tariff rate of 0-5 %. The monitoring of compliance with this policy carries out a special council at the ministerial level.

The main instrument of the AFTA's arrangements has become the agreement on the single existing concessional tariffs of the ASEAN countries. According to it, each year is set *four lists*:

- Goods, tariffs on which are subject to unconditional reduction;

- Goods, tariffs on which are officially approved to reduce, but the entry into force of this agreement is postponed for a certain period;

- Tariffs on goods that are to enter into force later because of the ambiguity of the interests of member countries on this issue;

- Tariffs that are eliminated from the process of liberalization (e.g. products agriculture).

List of goods is approved at annual meetings of economy ministers of ASEAN countries, and the ongoing work of coordination of trade lists carries out the Council of AFTA. Problematic is the exclusion from the liberalization process of agricultural products and products automobile industry.

ASEAN has made significant progress in tariff liberalization. The main direction of the organization's activities in this area by 2015 will be the complete elimination of non-tariff restrictions [114].

The ASEAN countries are making efforts to attract foreign investment to the region and to eliminate the internal barriers to investment. The main objective is the creation of a single capital market in ASEAN. All investors from ASEAN countries have the equal status with national companies.

Together, ASEAN countries worked out a program of development of the capacity of the Mekong River Basin, which is crucial for economic development of Laos, Cambodia, and Vietnam.

The collaboration of the ASEAN countries is not confined only to economy and social sphere. It extends to the culture, education, and science. So, 11 universities of the countries of the region have formed a special university network of ASEAN.

So far, the political cooperation of the ASEAN countries is developing more successfully than economic. The preferential benefits, weakly stimulate the mutual trade; trade focused mainly on countries outside the ASEAN (Japan, US, EU).

The Asian financial crisis of 1997 very negatively affected the economies of ASEAN. The national currencies were devalued (Malaysian ringgit - by 40%, Indonesian rupiah - by 80%). Half reduced the per capita income. The inflow of foreign investment in 1997 is declined by 40%.

In response to this crisis, at a summit in Kuala Lumpur in December 1997 was adopted the Document: "ASEAN VISION 2020". It was noted that to 2020 the ASEAN would become open to dialogue with all countries, stable and prosperous Union, bound by the dynamic partnership and the humanistic principle. The economic crisis of 2008-2009 has impeded to some extent the implementation of this plan.

In 2007, at the Summit in Singapore, the ASEAN's Charter was signed, which is currently in the process of ratification by the participating countries.

Today ASEAN is developing dynamically. For example, the growth rate of the organization's foreign trade turnover in 2010 grew by 33.1% [115]. The total net inflow of direct investments in the same year amounted to 76.2 billion dollars [116].

In the political and economic circles is regarded the prospect of the formation based on ASEAN of wide East Asian economic community by attracting to ASEAN of China, Japan, and the Republic of Korea.

11.1.3. The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific - «Colombo Plan»

This organization was formed in 1950 based on the British assistance plan to the former colonies. The Agreement on its establishment was signed in Colombo - the capital city of Sri Lanka, from where the name of the plan. The organization includes not only former colonies of Britain but also the other states, which were dependent in the past. Subsequently, to the organization joined some independent states of South Asia.

"Colombo Plan" combines two groups of countries: **the donors** - the US, Japan, Australia, New Zealand; **the recipients of help**: India, Pakistan, Sri Lanka, Afghanistan, Iran, Nepal, Myanmar, Maldives, Bhutan, Bangladesh, Laos, Cambodia, Malaysia, Thailand, Singapore, Papua - New Guinea, Indonesia, the Philippines, Fiji, Republic of Korea, Mongolia. Totally, the organization currently includes 27 members.

The objectives of "Colombo Plan": promoting economic and social assistance to member countries in Asia and the Pacific; coordinating the provision of technical and financial assistance to these countries; discussing the issues of economic development of the region.

The functional feature of "Colombo Plan" consists in a peculiar mechanism for the help distribution. There is no common assistance fund: each member of the group of developing countries determines its needs for assistance and negotiates on a bilateral basis with the donor country. However, they negotiate under the basic policy of "Colombo Plan" and the relevant authorities coordinate talks.

Assistance under "Colombo Plan" is divided into the following types:

- Economic assistance (food, raw materials);
- Financial assistance (funding for national projects);
- Technical assistance (services, expertise, volunteers);
- Consultations (seminars and practicum's for senior managers, improvement of national education).

"Colombo Plan" provides support to businesses, especially small and medium entrepreneurs; training of national personnel; optimization of management; environmental assistance. Special attention is paid to the fight against drugs in the region.

11.1.4. Council of Arab Economic Unity – CAEU

Members of the League of Arab States founded the Council of Arab Economic Unity in 1964. The Council currently unites 18 member countries: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, Yemen, and 4 candidates Comoros, Djibouti, Mauritania, Somalia.

The main goal of Organization is to achieve Arab economic unity. It should be realized through the establishment of a common market, which provides the free movement of capital and people, free trade, eliminating barriers to economic activity in the territorial space of Arab world.

The organizational structure:

1. **The Council**, consisting of trade and finance ministers, is a legislative body.

2. **Committees** dealing with sectoral issues; among them - preparatory committee; Committee on the formation of the common market, on budget; on economic planning; statistical; customs Committee; monetary and financial Committees.

3. **The Secretariat** is an administrative executive body. It implements the Council's decision, directs research on economic issues.

To the CAEU's **functions** belong coordination of policies of member countries in the economic areas (trade, agriculture, transport, industry); active work on the unification of the laws and regulations, of the economic programs of member countries.

Important role in the process of integration belongs to the creation of joint Arabian companies already operating in Jordan, Syria and Iraq [7, p. 345]. To coordinate the activities of member states at the sectoral level were created specialized federations and associations: Union of Arab textile industry; the Arab Union for Cement and building materials; Arab Federation of Sugar; Arab Federation of chemical fertilizers; Arab Federation of Engineering and others.

In 1997, 17 member states of Arab League at a summit in Amman (Jordan) adopted **the Greater Arab Free Trade Area (GAFTA)** Agreement. GAFTA is a pan-Arab free trade area. The members of GAFTA: Algeria (joined in 2009), Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunis, United Arab Emirates, Yemen. GAFTA Agreement provides for the gradual reduction in tariff rates, fees, and taxes, removal of all non-trade barriers (administrative, quotas, and monetary).

11.1.5. The Shanghai Cooperation Organization (SCO/ShOS)

The Shanghai Cooperation Organization (SCO) is regional (Eurasian) political, economic, and military organization founded in 2001 in Shanghai by the leaders of *China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan*. Except for Uzbekistan, other countries were the participants of "Shanghai Five", founded by the signing in a 1996-1997 of agreements between Kazakhstan, Kyrgyzstan, China, Russia, and Tajikistan on confidence building in the military field and mutual reduction of armed forces in the border areas. After the inclusion of Uzbekistan in 2001, the participants renamed the organization. The Shanghai Cooperation Organization Charter was signed during the St.Petersburg SCO Heads of State meeting in June 2002, and entered into force on 19 September 2003. The historical meeting of the Heads of State Council of the Shanghai Cooperation Organisation was held in 2017 in Astana. On the meeting the status of a full member of the Organization was granted to the Republic of India and the Islamic Republic of Pakistan. The SCO counts four observer states, namely the Islamic Republic of Afghanistan, the Republic of Belarus, the Islamic Republic of Iran and the Republic of Mongolia; as well the SCO has six dialogue partners, namely the Republic of Azerbaijan, the Republic of Armenia, the Kingdom of Cambodia, the Federal Democratic Republic of Nepal, the Republic of Turkey, and the Democratic Socialist Republic of Sri Lanka [117].

The total area of the SCO member countries is 34 million square kilometers, i.e. 60% of Eurasia area. Its aggregate population accounts for the half of the world's population. The economic potential of SCO includes the Chinese economy, which is one of the most powerful in the world.

One of the features of the SCO lies in the fact that it is neither military bloc like NATO, nor the series of open regular meetings on security issues, as ASEAN, but occupies an intermediate position.

The main objectives of the Organization are to strengthen stability and security at the broad space of participating states, the fight against terrorism, separatism, extremism, drug trafficking, the development of economic cooperation, of energy partnership, of scientific and cultural cooperation.

To accomplish the goals and objectives of the SCO Charter within the organization were established the following **organs**:

1. *The Council of Heads of State (CHS)* is supreme decision-making body of Organization. It meets annually in capital cities of one of the member states on rotation basis;

2. *The Council of Heads of Government (CHG)* is the second highest organ of SCO. It also meets annually, discusses the issues of cooperation between participants, and approves the SCO's budget;

3. *The Council of Foreign Ministers (CFM)* holds regular meetings to discuss the current international affairs and interaction with other IOs;

4. *Meetings of Heads of Ministries and Departments*;

5. *The Council of National Coordinators (CNC)* coordinates the multilateral cooperation of Member States;

6. *The Regional Antiterrorism Structure (RATS)* is headquartered in Tashkent, Uzbekistan, consists of permanent representative of each Member State and serves to promote cooperation in fight against terrorism, separatism, and extremism;

7. *The Secretariat* of the SCO is its primary executive organ. It is located in Beijing, China, and serves to implement the decisions of higher bodies, to promote information about SCO activity. SCO Secretary General heads the Secretariat.

The scopes of SCO's activities have expanded in recent years. It includes now more intensive military cooperation, intelligence sharing, and counterterrorism, joint military exercises on a regular basis.

In the field of economic cooperation member countries strive to improve the flow of goods in the region and to establish in long-term prospective a free trade area of SCO. To financially support investment projects in the SCO Member Countries, in 2005, was established the SCO's Interbank Consortium (SCO IBC).

At the summit of the BRIC group in 2009 in Yekaterinburg, Russia and China signed an unprecedented agreement in the energy sector for the sum of \$100 billion. The leaders of states agreed *to develop a mechanism of mutual settlements in Rubles and Yuan*. As for now all agreements between Russia and China is valued in dollars. However, if the initiative of China and Russia will be realized - it can affect not only the relations between Russia and China, but also the entire world trade. Moscow and Beijing intend to replace the dollar by Yuan and Ruble.

The SCO has established relations with many IOs: with the UN (has observer status in the General Assembly), with the EU, with ASEAN, with CIS, with the Organization of Islamic Cooperation.

11.2. Regional organizations in North and South America

The integration processes in America started earlier and were carried out more successfully than in Asia and Africa. It is due to a more favorable socio-political situation: the vast majority of the countries of the region already for a long time freed themselves from colonial rule. In addition, the integration was facilitated by the lack of serious linguistic, cultural and religious barriers, because the most of the Latin American countries are Hispanic, most of their residents are Catholics. Finally, the certain cementing force is the presence in the both Americas of a political and economic influence of the USA, which, although is not a member of all associations but is the main trading partner virtually of every country in the region.

The processes of economic integration in North and South America have begun immediately after the Second World War. In 1948 was formed the Organization of American States (OAS), which replaced the established back in 1890 the International Union of American Republics. OAS is essentially a political organization, but, among other areas of its activity, there are also economic problems. Its organizational structure includes the Inter-American Economic and Social Council, to functions of which belongs the promotion of the development of economic cooperation between the Member States (all 35 independent states of the Americas are members of the OAS). In 1994, the OAS adopted the "Declaration on principles of partnership for development and prosperity: democracy, free trade and sustainable development in the Americas." According to the Declaration, decided to form a free trade zone that would encompass all States of Americas; the completion of zone formation was anticipated largely in 2005. The organizations of the purely economic character began to be formed later.

11.2.1. The North American Free Trade Agreement - NAFTA

Established in 1994, NAFTA unites the US, Canada and Mexico.

The main goal of Organization is the creation of a free trade zone, the elimination of barriers to trade and investment in North America during 15 years from the moment of agreement signing. However, it is not difficult to understand that NAFTA has further prospects; there is reason to think that on the basis of this organization can be formed a common market of the Americas.

The Member Countries of NAFTA have great natural resources, human, industrial, and financial potential. The combined population of the countries belonging to the Organization accounts to more than 478 million people (as of 2015); this creates a potentially vast market for goods and investments. Already, the economic relationships between NAFTA countries are very intense. Since the establishment of this regional association, the volume of trade between the member countries has almost tripled, reaching 946.1 billion dollars. the trade turnover between Canada and the USA during the same period has increased threefold, and the volume of trade between Mexico and the USA - more than 4 times [118]. With the establishment of free trade for goods and capital for the United States opens the markets of Mexico and Canada. American firms will have more free access to the

rich mineral resources and wood of Canada, to the oil of Mexico. Cheap labor in Mexico contributes to the flow of capital to this region from the United States and Canada. Mexico has become one of the largest recipients of FDI among developing countries. So for the period of 1993-2008 the country received 156 billion dollars. investments from NAFTA partners [119]. At the same time, Mexico hopes for the broad consumer market to their products of light industry and agriculture. The labor market in the US looks attractive for Mexicans, but so far there are restrictions on the movement of labor within NAFTA.

USA is undoubtedly the core of NAFTA. Mexico also is a bridge between the Organization and the organizations of Latin America, being the member of many of these organizations. Some Latin American states are already considering the possibility of accession to the NAFTA.

The mechanism of the formation of a free trade zone in North America includes the following elements: market access; liberalization of investments; guarantees for entrepreneurship; harmonization of standards. During 15 years should be eliminated all trade and investment barriers between NAFTA countries, as well as the customs taxes. Between the US and Canada, as a rule, these obstacles do not exist, but in relation to Mexico, there are still problems.

Already until 2000, it was intended to exempt from customs duties 65% of American exports to Mexico and 70% of Mexican exports to the United States. Particular emphasis is placed on the abolition of tariffs on textile goods. By the same term, should be secured free access to the Mexican financial market for dealers from the United States and Canada; the same goes for investment liberalization [120, p. 62].

The abolition of tariffs on industrial and food products was completed in 2003. This is especially true for the auto industry. Mexico, to support national auto industry, once has established high tariffs on car imports. Now, under the Agreement, during 10 years country should eliminate all restrictions. Another provision of the Agreement concerns the development of Mexican mineral resources, primarily oil: the companies of third countries cannot participate in their development, extraction, manufacture of oil products [56, p. 275].

The United States and Mexico created two bilateral establishments, namely:

- Ecological Commission on Border Cooperation, which provides technical assistance for the development of environmental infrastructure;
- The North American Development Bank, which is engaged in the financing of ecological projects.

These institutions have provided nearly \$ 1 billion for 135 environmental projects of infrastructure with a total estimated cost of 2.89 billion dollars. They also allocated 33.5 million dollars as help and 21.6 million dollars in the form of grants for more than 450 other cross-border environmental projects. The Mexican government has also made significant new investments in environmental protection by increasing the environmental sector by 81% in the federal budget between 2003 and 2008 [119].

In the organizational sense, unlike other IOs, NAFTA does not have the supranational bodies. Regulation of NAFTA activities is carried out mainly through bilateral negotiations between the Member States.

11.2.2. The Common Market of the Southern Cone - MERCOSUR (Spanish acronym of Mercado Común del Sur, or Portuguese Mercosul - acronym of Mercado Comum do Sul).

The Common Market of the Southern Cone was founded in 1991 based on the Treaty of Asunción about forming a free trade area and customs union. In 1994, the Treaty of Asunción was amended and updated by the Treaty of Ouro Preto. Often this Association is also called the Southern Cone Common Market since the configuration of the southern part of the continent really resembles a cone with apex, which turned toward the Antarctic. Currently the Organization includes Argentina, Brazil, Paraguay, Uruguay, Venezuela (suspended since December 2016), and a state in process of incorporation - Bolivia (since July 2015). Its associate countries are Bolivia, Chile, Peru, Colombia, Ecuador, and Suriname. Observer countries are New Zealand and Mexico.

MERCOSUR is a potentially powerful market in Latin America. With a population of more than 300 million people (as of 2016), and a GDP of the full-member nations above \$4,16 trillion a year (as of 2013), MERCOSUR is one of the largest economy in the world [121].

The main goal of MERCOSUR is the creation finally of a common market of South America. The Treaty provided for the elimination of all tariff barriers. This would mean:

- Free movement of goods, capital, and labor among states, lifting of nontariff restrictions;
- Fixing of common external tariffs (CET), and adopting of a common trade policy with regard to nonmember states i.e. the formation of the Customs Union;
- Coordination of policies of member states regarding foreign trade, in the fields of industry, agriculture, and transport, cooperation in the monetary and financial sector.

The process of integration is facing some delays, intended terms of the complete elimination of tariffs on intra-regional trade were postponed several times, but even today for groups of goods remains exceptions. Countries until now were unable to approve all external tariffs, yet a common external tariff covering 85% of trade items [122, p. 62].

Altogether, Mercosur proved to be an effective organization, its activity gave a boost to the process of integration in the region. During 1991-1995 (i.e. in five years from the signing of the Treaty of Asunción) the volume of intra-area exports increased threefold. The fraction of intra-area trade in total trade turnover of Mercosur was 22% [122, p.63], which is much higher compared to other Latin American organizations. The intra-Mercosur merchandise trade (Argentina, Brazil, Paraguay, Uruguay) grew from \$10 billion in 1991, to \$88 billion in 2010 [123].

The member countries of Mercosur seek to extend free trade zone to the entire Latin America and they build the appropriate plans. In some respect, Mercosur is the second center of gravity for the integration of Latin American countries, along with organization NAFTA. Now, the organization of the Southern Cone is a full customs union, and this opens real possibilities of formation of the common market. Mercosur is an important element of a continuing process of South American integration (together with other customs union - the Andean Community of Nations).

In 2010, the 39th Summit of the Organization approved a common Customs Code, which should complete the formation of a customs union within MERCOSUR [121].

Mercosur's headquarters is located in the Montevideo, Uruguay.

The institutional structure of Mercosur includes:

- *The Common Market Council* is the highest decision-making body. It consists of ministers of foreign affairs and economy of members countries and is headed by president (for the six months term on a rotation basis).

- *The Common Market Group* includes the members of ministries of foreign affairs, economy, and central banks' presidents. It coordinates macroeconomic policy, oversees the implementation of Council's decisions, negotiates the trade with non-member countries. The working subgroups are dealing with agricultural policy, energy policy, and labor policy;

- *The Trade Commission* deals with everyday trade matters between member countries;

- *The Mercosur Parliament* (also known as Parlasur, created in 2004) adding a dimension of popular representation to the Organization, includes a number of parliamentarians from each country. Parlasur has only advisory role.

- *The Structural Convergence Fund of Mercosur* was created in 2010 with the aim to develop regional infrastructure projects (especially in lesser-developed regions), to increase integration within Mercosur, and to improve the competitiveness of its members.

Mercosur seeks to establish an FTA with the European Union.

11.2.3. The Latin American Integration Association - LAIA/ALADI - (Spanish: Asociación Latinoamericana de Integración)

LAIA was created in 1980, replacing the Latin American Free Trade Association (LAFTA) that dates back to 1960. Currently, it joins 13 member countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay, and Venezuela. Thus, the LAIA includes all largest States of Latin America.

The initial purpose of LAFTA was the formation of a free trade zone in Latin America by establishing rigid tariff system in relation to third countries. However, this not proved to be effective, because the large part of the foreign trade of Latin American states accounts to developed countries, primarily the United

States. On the other hand, the rapid elimination of internal trade tariffs appeared to be useful only for the most powerful countries in the region, first for Brazil. In the 70s, some Latin American politicians even ascribed the country to a number of "imperialist powers".

The Montevideo Treaty, under which was created LAIA, set before the Organization new objectives. **The main purpose** of LAIA is to promote economic cooperation and expanding the market for products of the countries of the region. In such formulation, this means the creation the zone of preferential trade. **The long-term goal** consists in the phased and gradual formation of the Latin American common market by stimulating the creation of the zone of economic preferences.

The feature of LAIA is an unconventional attitude to economic relations with third countries. Unlike LAFTA, the Organization is committed to a very close cooperation as with other Latin American countries, as well as with countries on other continents. The Organization has established **the regional tariff preference** with regard to third countries. The Observer statuses at LAIA have 15 countries, including Spain, Italy, Russia, China, and Switzerland.

The organizational structure:

1. Council of Ministers.
2. Committee of Permanent Representatives.
3. General Secretariat.

11.2.4. The Caribbean Community – CARICOM

In 1973, the Heads of Governments of Barbados, Guyana, Jamaica, and Trinidad and Tobago at Chaguaramas (Trinidad and Tobago) signed the Treaty establishing the Caribbean Community and Common Market (CARICOM), which replaced the Caribbean Free Trade Association. Subsequently, the other Caribbean countries and territories joined CARICOM. In 2001, was signed a revised Treaty of Chaguaramas, transforming the idea of a common market CARICOM into a CARICOM Single Market and Economy (CSME).

Currently CARICOM includes 15 full members and 5 associate members. The full members: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago. Associate members are Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands.

The secretariat headquarters is located in Georgetown, Guyana

CARICOM's main purpose is the creation of a common market, which provides common external tariff and coordination of foreign policy, cooperation in social, cultural, and technical fields. Should be eliminated the customs duties and non-tariff barriers on trade between the Member States, the countries should have the single policy in trade and agriculture. It is assumed the free movement of labor and capital, the cooperation in tourism development, which is an important

industry for the region. In the long term, is planned to create a monetary union and to put into circulation the common currency.

The organizational structure:

1. Conference of Heads of Government.
2. Council of the Caribbean Community.
3. Council of the common market.
4. Regional institutes.
5. Associated Institutes.
6. Assembly of Parliamentarians of the Caribbean Community.
7. The Secretariat of the Caribbean Community.

Despite the ambitious goal - creation of a common market - the integration processes within CARICOM (as well as in LAIA) are going slow. The main reason is that these economies are almost completely not complementary to one another. For all countries of the region tourism is the main branch of the economy; the bulk of their foreign trade is oriented on countries outside the region, mainly on the US and EU. In these circumstances, the CARICOM's leadership is looking for rapprochement with other organizations of America. In 1994, the Conference of Heads of Governments raised the question about the prospects of accession of CARICOM countries to the NAFTA as a collective member. CARICOM supports the establishment of a free trade zone within the Americas.

For funding of the Caribbean region development back in 1970, was created **the Caribbean Development Bank (KARIBANK)**, and in 1973 - **the Caribbean Investment Corporation**. In 1991, was founded **the Caribbean Investment Fund**, which should stimulate business activity in the region.

In 1990, at a meeting of Heads of State and Government of CARICOM was taken the decision to accelerate integration. Countries agreed on the introduction of common tariffs for imports from third countries, i.e. the creation of a customs union, on the abolition of non-tariff barriers to trade in goods produced within the sub-region, about creation a common market with free movement of capital, with a common currency, with a coordinated policy in the field of finance, regarding foreign investments. Since 1991, a single tariff system has replaced the quantitative restrictions on imports as the main tool to protect the domestic market of CARICOM. Since 1993, began a phased reduction in common external tariff.

After signing an Economic Partnership Agreements with the European Union (2008), known as CARIFORUM, all members of the EU and CARIFORUM have equal rights in trade and investment, and European Court of Justice settles disputes between the EU states and CARIFORUM [124].

11.3. The integration groupings in Africa

The integration processes in Africa unfolded with the 60s, when has begun the rapid process of decolonization and formation of independent states on the continent. In 1961, the Presidents of Ghana, Guinea, and Mali have established a Union of African States (Ghana-Guinea-Mali Union), with an intention to carry out

the coordinated economic and monetary policy, as well as unified foreign policy. Still, none of these plans was implemented by the countries. In 1963, the 32 African states (independent at that time) agreed to establish **the Organization of African Unity (OAU)**. Later a further 21 members gradually have joined the Organization and the total number of member countries reached 53.

The OAU was mostly a political organization and its main objectives (as set out in its Charter) consisted in the promotion of the unity and solidarity of African states, in the fight against the remnants of colonialism and apartheid. It has required of the solidarity of the peoples of the continent, of the harmonization of political, diplomatic, cultural, and defense policies of member countries.

Economic growth was also amongst the objectives of the OAU as a precondition for achieving the main goals. The economic integration of the African countries was regarded as a prerequisite for their economic development. The structure of Organization has included the special committee on economic and social issues

In 1991, the countries of OAU signed the Treaty Establishing **the African Economic Community - AEC** (known as the Abuja Treaty), which entered into force in 1994; the AEC's objective was to foster mutual economic cooperation among the majority of African states. Its plans have presupposed the creation of free trade area, customs union, of a single market, a central bank, and a common currency, thus the establishment, in the end, the economic and monetary union. The formation of the African Economic Community should have been done as a gradual process, in six stages over 34 years, i.e. up to 2028.

- 1) The creation of regional blocs – had to be completed in 1999;
- 2) The strengthening of intra-REC integration and inter-REC harmonization – up to 2007;
- 3) The establishment of a free trade zone and of customs union in each regional bloc – up to 2017;
- 4) The creation of a continental customs union (and free trade zone) – in 2019;
- 5) The establishment of an African Common Market (ACM) – up to 2023;
- 6) The creation of a continental economic and monetary union, as well as of Parliament – to be completed in 2028.

The OAU activities paved the way for the birth of AU. Over the 1990s, leaders of OAU were considering the task to amend the structure of the Organization of African Unity in order to address the challenges of a changing world and to accelerate the process of African integration. Thus in 2002, the new Organization, formally replacing the OAU, was launched - **the African Union**.

Amongst the AU's main proclaimed objectives [125]:

- achieving the greater unity and solidarity between the African countries and the peoples of Africa;
- accelerating the political and socio-economic integration of the continent;
- promoting the peace, security, and stability on the continent;

- promoting the democratic principles and institutions, the popular participation and good governance;
- establishing the necessary conditions enabling the African continent to play the rightful role in the global economy;
- promoting the sustainable development at the economic, social, and cultural levels.

Institutional structure of the AU includes [125]:

- *The Assembly* – the supreme governing body of the Union composed of Heads of State and Government.

- *The Executive Council*, composed of ministers designated by the governments of member states, decides on foreign trade, social security, food, agriculture and communications, responsible to the Assembly, prepares materials for it.

- *The Commission of the African Union (Secretariat)* acts as administrative body (similar to the European Commission), headquartered in Addis Ababa, Ethiopia.

- *The Permanent Representatives Committee* - made up of nominated permanent representatives of member states - prepares the work for the Executive Council (similar to the Committee of Permanent Representatives in the EU).

- *Peace and Security Council (PSC)* – made up of 15 members elected by the Assembly on a regional basis - has to prevent, to manage and to resolve the conflicts, carry out common defense policies (similar to the UN Security Council).

- *Pan-African Parliament (PAP)* - intended to provide the civil-society participation in the processes of democratic governance. It is composed of 265 elected representatives from all 55 AU states. The PAP is located in Midrand, South Africa.

- *The Economic, Social, and Cultural Council (ECOSOCC)* - an advisory organ composed of representatives of different social and professional groups of the member countries (similar to the European Economic and Social Committee).

- *The Court of Justice* settles disputes over interpretation of AU treaties.

- *The African Commission on Human and Peoples' Rights*.

In addition, are to be created a number of financial institutions – African Central Bank, African Investment Bank, African Monetary Fund.

The far-reaching AU's plans suggest the establishment of a free trade zone, a customs union, a single African market, a central bank, a common currency, thereby establishing an economic and monetary union. The AU aims to establish an African Economic Community with a single currency by 2023. The anticipated African Monetary Union would have hypothetical unified currency - the Afro. It is discussed also the formation of Union Government on the way towards a United States of Africa.

Now the AU covers entire Africa, except Morocco and several territories held by former colonial powers. The membership of the AU includes 55 African countries. The total area of AU is 29,865,860 square kilometers with the population of above 1,16 billion and the total GDP 2,067,424 M.\$ [126]. The

main administrative capital of the African Union is located in Addis Ababa, Ethiopia (here is headquarter of the African Union Commission).

The AU represents the interests of African peoples at large in other intergovernmental organizations. The African Union has the special diplomatic relations with the USA and the European Union, works together with the UN to address issues of common interest, it is a permanent observer at the United Nations General Assembly.

The integration process in Africa faces many challenges. This process is affected by two opposing factors. On the one hand, it is the political will of African leaders and their desire to lead their peoples to the path of economic progress, which brings positive results. On the other hand, Africa is the least developed region economically. The vast majority of African countries have the underdeveloped national economic structure with the low share of manufacturing industry and lack of modern industries, including engineering. Foreign trade is oriented at regions outside Africa, as the national economies practically not complement each other. This hampers the development of integration.

The economies of African countries and the character of integration processes are considerably affected by the European Union. The fact is that such countries as UK, France, Portugal, Germany, Spain, Belgium for a long time were the **colonial** powers for many countries in Africa and the ties between the now independent states and the former metropolises were not disrupted totally, in economic as well as in political sense. The EU has special interests in Africa, and significant parts of countries of the region are its associate members. The English and French languages have the status of the state languages, along with the national languages. However, this creates problems: some countries are oriented mainly on the France; the others are oriented to the UK. These differences are more evident in the cultural sphere but sometimes they hamper the economic convergence. The ambitious objectives set by the organizers of integration groupings in Africa are reflected in the names of organizations: the Customs and economic Union, the Common Market, the Economic and Monetary Union and so on. However, the integration process in Africa is carried out slowly and with difficulty. Some organizations disintegrate before reaching set goals. So it was with the East African Cooperation (Kenya, Uganda, Tanzania), which in 1977 ceased to exist.

Integration processes, for now, are developing more successfully in the space of regional organizations that encompass parts of Africa, where located the Arab States, which tend to the continuous Arab world; Egypt, Libya, Mauritania, Somalia and Sudan are combined in the Council of Arab Economic Unity with the Arab countries that located in Asia. In general, the North African states tend to pursue the pan-Arabic and pan-Islamic interests and not the pan-African ones.

As the basis for pan-African integration, the African Union regards the creation and development of Regional Economic Communities - RECs. They are characterized as a kind of "building blocks" of the AU, or "pillars" of AEC. The RECs represent in the essence the trade blocs, but for some of them are also

inherent the political and military cooperation. According to Abuja Treaty, the process of establishment of the African Economic Community should be the progressive integration of the RECs activities with the full African integration as the final objective. Respectively a Protocol on Relations between the AEC and the RECs entered into force in 1998, and in 2007 was signed a Protocol on Relations between the AU and the RECs.

Many of trading blocs have overlapping memberships, which sometimes leads to competition between blocks, and there is no full clearness whether all of RECs aim to continental integration. Several “pillars” also contain subgroups with tighter customs and monetary unions within them.

Currently, there are eight regional integration blocs in Africa:

- Community of Sahel-Saharan States - CEN-SAD;
- Common Market for Eastern and Southern Africa – COMESA;
- East Africa Community - EAC;
- Economic Community of Central African States - ECCAS;
- Economic Community of West African States - ECOWAS;
- Intergovernmental Authority on Development - IGAD;
- Southern African Development Community - SADC;
- Arab Maghreb Union (UMA) does not participate in the AEC so far,

because of opposition by Morocco.

ECCAS contain subgroup SEMAC – Economic and Monetary Community of Central Africa. ECOWAS contains two subgroups: Western African Economic and Monetary Union (UEMOA) and West African Monetary Zone (WAMZ); SADC contains SACU – Southern African Customs Union. There are some African regional blocs, that not participate in the AEC (although their members can be part of other regional blocs which do participate): e.g. Greater Arab Free Trade Area (GAFTA), Economic Community of the Great Lakes Countries (CEPGL) and some others.

The most developed and active RECs, the “pillars” of the AEC are: Economic Community of West African States (ECOWAS); Common Market for Eastern and Southern Africa – COMESA; Southern African Development Community (SADC); Economic Community of Central African States (ECCAS); East Africa Community (EAC). Let us consider in more details some most important of RECs.

11.3.1. The Economic Community of West African States – ECOWAS

ECOWAS was established in 1975 under the Treaty signed in Lagos, Nigeria. The participants of the Organization are 15 countries: Benin, Burkina Faso, Ivory Coast (Côte d'Ivoire), Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra-Leone, and Togo. The total population of ECOWAS is above 340 million. By the end of 2014, it represented nearly 40% of the population of sub-Saharan Africa [127]. The total GDP (PPP) of ECOWAS countries is US\$ 1,322 trillion. ECOWAS, as already mentioned, is

considered as one of the “pillars” of the African Economic Community [127]. The most powerful and promising in economic terms ECOWAS’s country is Nigeria.

A major mission of the Organization is to promote cooperation and integration in all fields of economic activity, to achieve collective self-sufficiency and economic stability of its member states. The long-term goals include a common economic market, a common currency, a court of justice, a parliament, a mutual defense system, and the other common social and economic institutions. Among the objectives: creation of maritime, land and fishing infrastructure; improving living standards and fighting a poverty; improving education and culture of the region; ensuring the peace and security; a fight crime and illegal proliferation of light small arms.

The integration as expected should be implemented **in several stages**. At the initial stage the activity of Community was focused on the development of intraregional infrastructure: the construction of the Trans–West African Coastal Highway, the creation of telecommunications network, of the regional airlines, the creation of maritime, land and fishing infrastructure. The ECOWAS put forward a big transport program in order to facilitate the movement of persons, goods, and services in the region. In the third millennium, the ECOWAS has to go to the next level of integration: will be eliminated the obstacles to the movement of goods and people and be formed a free trade zone, has to be introduced a single currency.

Some of the tasks already **have been fulfilled**. E.g. have been created the elements of transport and energy infrastructure (construction of railway line, of the highway, of the pipeline). Was established the moratorium on the importation, exportation, and manufacturing of small arms. To promote free movement of persons and goods within the ECOWAS was launched the "Brown Card Insurance" system; was introduced a uniform passport.

In the recent decades, the member counties of ECOWAS closely cooperate in the sphere of security and policy. In 1981, they signed a Protocol on a Mutual Defense that provided for the establishment of an Allied Armed Force of the Community, and in 1990, - a non-aggression protocol. In 2004, the Defense Ministers of the Community have approved proposals to create the efficient peacekeeping force. There are plans to create the Federation of West African States.

The **organizational structure** of ECOWAS: the Conference of Heads of State and Government (the highest governing body); the Council of Ministers; the Community Parliament; the Economic and Social Council; the Court of Justice; the ECOWAS Commission (formerly, the Secretariat); The ECOWAS Bank for Investment and Development - EBID, headquartered in Lomé, Togo.

The major problems facing the ECOWAS include political instability, the inconsistency of customs regulations (which leads to smuggling), the weakness and lack of a diversification of the national economies, the weakness of transport and communications infrastructure.

The member countries of ECOWAS adopted a roadmap to establish a single currency by 2020. As already mentioned, within ECOWAS currently there are two

subgroups with a closer cooperation: Western African Economic and Monetary Union (UEMOA) and West African Monetary Zone (WAMZ).

At the time of establishment of ECOWAS, within it already pre-existed one zone with a common currency (CFA franc), composed of francophone West African countries. The English-speaking West African countries, however, have their independent currencies. Later was put forward the idea (supported by all Member States) of introducing a single currency for ECOWAS as a whole. The plan of the monetary integration process has implied the two stages, namely initially the formation of the second zone with a common currency for Anglophone countries in West Africa – WAMZ, which later has to be merged with the already existing zone – WAEMU.

UEMOA (from French: Union économique et monétaire ouest-africaine, or Engl. **WAEMU** – the West African Economic and Monetary Union) was established in 1994, based on the pre-existing West Africa Monetary Union of the CFA franc zone. It includes seven francophone countries - Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, Togo, and Guinea-Bissau (former Portuguese colony, joined Union in 1997), who share the CFA franc as a common currency (the acronym CFA stands for Communauté Financière d'Afrique). The CFA franc is a currency, which has a fixed exchange rate against the Euro (1 euro = 655.957 francs CFA) guaranteed by the French Treasury, coupled with stringent fiscal and monetary rules.

UEMOA is a customs union and currency union, participants of which are working toward greater regional integration. The Unions major objectives:

- The establishment of greater economic competitiveness of the member states;
- The convergence of macroeconomic policies and indicators through establishing a multilateral surveillance procedure;
- The creation of a common market with a common external tariff, with a common trade policy, and with a free movement of persons, goods, capitals;
- The coordination of sectoral policies;
- The harmonization of fiscal policies, investment incentives;
- The harmonization of legislations of member countries;
- The coordination of development of human resources.

Among the achievements of UEMOA: the successful implementation of macroeconomic convergence criteria (fiscal deficits, inflation, public sector wages, and government arrears) and the creation of effective surveillance mechanism, what is the focus of the Commission of UEMOA.

ECOWAS and UEMOA are closely cooperating. The Organizations have developed a common plan of trade liberalization and macroeconomic convergence policy, as well as agreed on common rules of origin to enhance trade. ECOWAS has adopted customs declaration forms of UEMOA as well as compensation mechanisms.

In 2000, within ECOWAS was formed **the West African Monetary Zone (WAMZ)** - a monetary and customs union, which is aiming to establish a strong

stable common currency. Its members: Gambia, Ghana, Guinea, Nigeria, Sierra Leone (the founders), and Liberia (joined in 2010). They all are English-speaking countries except Guinea that is the only francophone country in WAMZ and the only one that did not adopt the CFA franc, which is shared by all other former French colonies in West and Central Africa.

The West African Monetary Institute – WAMI (set up in Accra, Ghana in 2001) has to undertake technical preparations for launching of a single currency for WAMZ. The WAMI has set out the Convergence Criteria, which all member countries have to fulfill to introduce a single currency. The four primary criteria are a single-digit annual inflation rate; a fiscal deficit of no more than four per cent of GDP; the deficit-financing of a Central Bank no more than 10% of the previous year's tax revenue; and gross external reserves that can give import cover for a minimum of three months.

However, the plans to introduce a common WAMZ currency after several postponements have yet failed to materialize. The member countries are still unable to meet the convergence criteria.

Currently the WAMI is focused on introduction of a single currency in ECOWAS as a whole. According to new road map of ECOWAS, it is expected that all participants of Community have to adopt a single currency regime by 2020. By that time, all 15 of ECOWAS members as expected would comply with the four primary Convergence Criteria, which were set by WAMI.

11.3.2. The Common Market for Eastern and Southern Africa – COMESA

The Common Market for Eastern and Southern Africa was founded in 1994 replacing a Preferential Trade Area (had existed since 1981). COMESA comprises 19 countries: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Mauritius, Madagascar, Malawi, Rwanda, Swaziland, Seychelles, Sudan, Uganda, Zambia, Zimbabwe,. Most of them are the poorest countries.

The main objective of COMESA is the formation of a real common market, and up to 2020 - of a monetary union. Achieving of a goal should be carried out in stages. In a first turn, should be provided the trade liberalization. In 10 years after the conclusion of the Agreement is planned the formation of a customs union by eliminating customs duties and non-tariff barriers, an introduction of a common external tariff, setting of the regime of the most favored nation. By the end of the 90s, almost all non-tariff barriers already were eliminated.

The main areas of cooperation are the trade and customs cooperation; the transport and communications; the industry and energy; finance and currency issues; agriculture; the economic and social development.

Among the functions of COMESA special attention is paid to promote cooperation in the monetary and financial sector. It is planned to introduce the common currency unit - ESACU (Eastern and Southern African Currency Unit),

the creation of payments union, the provision of the mutual convertibility of the currencies, the free movement of capital. One of the goals is to promote investment, including the agreement on avoidance of double taxation.

11.3.3. The Southern African Development Community – SADC

The Southern African Development Community was founded in 1992, replacing the Southern African Development Co-ordination Conference (SADCC), established in 1980 to advance the cause of national political liberation in Southern Africa. Currently, it comprises 15 countries: Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South African Republic (SAR), Swaziland, Tanzania, Zambia, and Zimbabwe. The headquarters of SADC are located in Gaborone, Botswana.

There is a significant difference in the levels of economic development of these countries: South Africa, Zambia, and Zimbabwe are among the relatively developed Africa countries, whereas Angola, Mozambique, and Tanzania - among the poorest. SADC is one of the largest and most influential sub regional associations of Africa, considered as one of the “pillars” of the AEC. The total population of SADC member countries is about 257,7 million, total GDP - \$471,1 billion (as of 2012) [128]. Total GDP (PPP) US\$ 1,193 billion (as of 2013).

The main objectives of Southern African Development Community (SADC) are to promote sustainable and equitable economic growth and socio-economic development, to alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa, to promote and defend democracy, peace, and security. These objectives are to be achieved through efficient, productive systems, trade liberalization, deeper regional cooperation, sustainable utilization of natural resources, democratic governance [128]. One of the priorities defined by SADC is the creation of a single energy system of South Africa and the efficient use of water resources.

The principal institutional mechanisms of SADC include:

- *The Summit of Heads of State or Heads of Government* is supreme policy-making institution;
- *The Organ on Politics, Defense, and Security Cooperation* is responsible for promoting peace and security in SADC, containing and resolving conflicts within and between states;
- *The Council of Ministers* advises the Summit on policy issues and further development of the Organization and oversees the functioning of SADC and implementation its policies and execution of programs;
- *The Tribunal* (ten judges, appointed by the Summit) has the task to ensure the observance of the Treaty and to settle the disputes related to its interpretation. The decisions taken by the Tribunal, as a rule, are binding and final, but in some cases, it may also give non-binding opinions at the request of the Summit;

- *The SADC National Committees (SNC)* are established by each member country, they include representatives of government, the private sector, and civil society of respective country member, and are taking part in the formation of policy of Organization;

- *The Secretariat* is SADCs principal administrative and executive institution, situated at Gaborone, The Secretariat is headed by the Executive Secretary, appointed by the Summit.

The SADC is guided by initiated in 2005 strategic plan (The Regional Indicative Strategic Development Plan - RISDP), which provides an agenda for a socio-economic development of the region for a period of 15-year. The plan outlined several of integration milestones:

1. Formation of a *Free Trade Area* by 2008;
2. Establishment of a *Customs Union* with common external tariffs for the Free Trade Area by 2010;
3. Formation a *Common Market* by 2015;
4. Establishment *the Monetary Union* through macroeconomic convergence by 2016;
5. Accepting a Single Currency and transformation into *the Economic Union* by 2018.

Twelve participants of SADC achieved the goal of formation of a *Free Trade Area* in 2008. They have reached the minimum conditions for the Free Trade Area - 85% of intra-regional trade amongst the partner states attained the zero duty. Those countries, which are members of the Southern African Customs Union (SACU) - Botswana, Lesotho, Namibia, South Africa, and Swaziland - reached this milestone yet earlier - in 2007. Intra-SADC trade has grown from about US\$13.2 billion in 2000 to about US\$34 billion in 2009 [128]. However, some member countries have fallen behind with implementation of this plan.

The next goals, and, first of all, a formation of a Common Market are yet to be achieved in full extent. They are not been implemented timely and their attainment was shifted to more late time because of major challenges e.g., with the establishment of a single common external tariff, with the convergence of countries into a uniform tariff regime. The significant challenge represents the fact that member states also participate in other regional integration groups that may compete with or undermine SADC's aims.

Within SADC has historically developed a grouping with deeper degree of integration – **the Southern African Customs Union (SACU)** [129]. In fact, it is *the world's oldest customs union*. The earliest forerunner of SACU was Customs Union Convention (1889) between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic. In 1910, was signed SACU Agreement between South Africa and the British High Commission Territories (in effect until 1969). The Agreement envisaged a common external tariff; a common pool of customs duties; free movement of products within Union (without any duties or quantitative restrictions); a revenue-sharing formula for the distribution of the resulting revenues collected by the union. Historically South Africa was the sole

administrator of the common Unions revenue pool, of setting import duties and excise policy.

In 1969, new SACU Agreement (in force since 1970) signed the already sovereign states of Botswana, Lesotho, and Swaziland (BLS) and South Africa (Namibia become the de-jure fifth member after it gained its independence in 1990). This Agreement provided for the inclusion in the revenue pool of excise duties and the new revenue sharing formula, which increased the income of BLS (42% annually). Nevertheless, South Africa retained the preferential status in SACU - the sole decision-making power over customs and excise policies, a greater advantage compared to BSLN in external trade and through revenue sharing formula.

After conducting new talks was signed a 2002 SACU Agreement (came into force in 2004). It provides for democratic decision-making mechanism through new institutional arrangement - establishment of a professional and independent Secretariat (located in the Windhoek, Namibia), of Council of Ministers, Customs Union Commission, of Technical Liaison Committees, ad hoc SACU Tribunal, and SACU Tariff Board - in order to ensure equitable trade benefits to all participants. It also provides for a **new revenue sharing formula**, according to which revenue of each Member State should be calculated based on three components:

- The share of the customs pool - according to each country's share of total trade within SACU;
- The share of the excise pool - based on GDP;
- The share of a development component - 15% of the total excise pool should be distributed to each member country according to the inverse of its GDP/capita.

Thus, the Union's member states form a single **customs territory** on which are eliminated almost all tariffs and other barriers in intraregional trade, is maintained a common external tariff, customs revenues are distributed, and policies and decision-making on a wide range of trade issues are coordinated. SACU is a basis for deeper integration at the SADC level and contributes to the continental integration in Africa.

SADC in its activities is focused on cooperation with the Western countries, on the help from them. The main donors are the Scandinavian countries (50% of external financing), the EU, and US [122, p. 70].

In 2008, the SADC agreed to establish a free trade zone with the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), which, thus, consist of 26 countries and embodies the idea of a free trade zone spanning the whole continent from the Cape to Cairo.

11.3.4. The Economic Community of Central African States (ECCAS) (French: *Communauté Économique des États de l'Afrique Centrale* - CEEAC)

The predecessor of ECCAS was the **Customs and Economic Union of Central Africa - CEUCA** (or **UDEAC** in French: *Union Douanière et*

Economique de L’Afrique Centrale). It was established by the *Brazzaville Treaty* of 1964, signed by Cameroon, Central African Republic, Chad, Republic of Congo, and Gabon. The Treaty became effective in 1966, after it was ratified by the five founder countries (Equatorial Guinea joined the Union in 1983). **UDEAC’s major purpose** was to encourage and facilitate trade among its member states through creation of a customs union, the progressive harmonization of taxes and duties and the establishment of a common external tariff, and subsequently - the creation of the monetary union. The main UDEAC’s achievements were the realization of several infrastructure and construction projects, progress towards the harmonization of national fiscal and customs systems, and the regular meetings and cooperation of the political leaders of the Member States. However, despite common historical heritage of its members and the common monetary policy built on the Franc CFA, the Organization’s efficiency proved to be not high due to financial shortages, the lack of commitment from the Member States, insufficient monitoring of implementation of decisions and directives.

In 1981, the leaders of UDEAC decided to enlarge the grouping and create a wider economic community. So, in 1983, the UDEAC members and the members of the Economic Community of the Great Lakes States (Burundi, Rwanda, and the then Zaire) as well as São Tomé and Príncipe, established **the Economic Community of Central African States (ECCAS)**. Angola remained an observer until 1999 when it became a full member. ECCAS began functioning in 1985 when all members had ratified the founding treaty. However, it was inactive for several years due to financial difficulties (non-payment of membership fees), and of the internal conflicts.

In 1998, the leaders of ECCAS States decided to give new impetus to their cooperation through institutional reforms and revision of the agenda. In addition to economic cooperation and creation of a Central African single market as a central aim, the Community decided to focus on security and defense cooperation as a precondition for the achievement of the economic goals. In 2002, the Heads of State defined four main priority fields for the Community: to develop capacities to maintain peace, security, and stability; to develop economic and monetary integration; to develop a culture of human integration and to establish an autonomous financing mechanism for ECCAS.

The member States of ECCAS are Angola (becomes a full member in 1999), Burundi, Cameroon, Central African Republic, Chad, Congo, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda (left the Community in 2007 and rejoined it in 2015), and São Tomé and Príncipe.

ECCAS main goals are to promote and strengthen a harmonious cooperation to realize a balanced and self-sustained economic development, collective self-reliance, and raising the standards of living. The major objectives of ECCAS in order to achieve these goals are:

- The elimination of customs duties in trade between member States;
- The abolition of quantitative restrictions and other trade barriers;

- The establishment and maintenance of an external common customs tariff;
- The establishment of a common trade policy with regard to third countries;
- The progressive removal of barriers to the free movement of persons, goods, services and capital;
- The harmonization of national policies in all fields.

The organizational structure of ECCAS includes the Conference of Heads of State and Government (the supreme authority of ECCAS), the Council of Ministers, the Consultative Commission (experts from Member States), the Executive Secretariat (based in the Gabonese capital of Libreville), the Community Court of Justice, the Council for Peace and Security in Central Africa (COPAX), Specialized Technical Committees.

In 1999, ECCAS signed the Protocol on Relations between the African Economic Community (AEC) and was recognized as one of the pillars of AEC.

Almost parallel to the process of enlargement of the UDEAC and of its transformation into ECCAS underwent a process of transformation within the UDEAC itself. In 1994, in line with the a general revival of regional cooperation in Africa during the 1990's, the UDEAC's Member States decided to reform Organization and transform it into **the Central African Economic and Monetary Community** (or **CEMAC** from its name in French: Communauté Économique et Monétaire de l'Afrique Centrale), i.e. go to a higher level of integration. CEMAC was created in 1994 and became operational after the treaty's ratification in 1999. The Member States of CEMAC are Gabon, Cameroon, the Central African Republic (CAR), Chad, the Republic of the Congo and Equatorial Guinea.

CEMAC's objectives are the promotion of trade, the convergence, and monitoring of national economic policies, coordination of sectoral policies and moving toward the creation of a single market. Currently, CEMAC countries share a common financial, regulatory, and legal structure, and maintain a common external tariff on imports from the non-CEMAC countries. In theory, tariffs have been eliminated on trade within CEMAC, but full implementation of this has been delayed. Movement of capital within CEMAC is free.

Chapter 12. Georgia In International Organizations

12.1. Euro-Atlantic Aspirations of Georgia

Having restored in 1991 its status as an independent state, Georgia pays great attention to the development and strengthening of its international political and economic ties. It conducts active international policy, takes part in the international division of labor and international integration, becomes a participant of many international organizations of the global and regional scale in all spheres, and positions itself as an equal member of the modern world community.

As a result, of effectively implemented political and economic reforms, Georgia presents itself as a democratic state with a successfully functioning market economy. So, in 2007, the World Bank described Georgia as the world leader in the field of reforms, and permanently puts it at the upper part of the rating on the index of ease of doing business; for example by this index, in 2013, Georgia occupied the 9th place in the world [130]. In a relatively short period, by many important parameters of the investment climate, Georgia managed to bypass even some developed countries. For a number of indicators, Georgia in 2014 was significantly ahead of Ireland (comparable by territory and population with Georgia), which in the late 1990s demonstrated rapid economic growth [131]. According to Transparency International data for 2015, Georgia was the least corrupt country in the Black Sea region, ahead of all neighbors, including some of the participants of the European Union [132].

Being an industrial-agrarian country Georgia is characterized by a dynamically developing economy and is an active participant in international economic relations.

The integration of Georgia into the system of international relations is significantly determined by its geopolitical position. The territory of Georgia, being located at the crossroads of Europe and Asia, has important transit significance. This ensures the accesses of neighboring countries - Azerbaijan and Armenia - to the Black Sea. Key transport routes pass through Georgia. The Black Sea ports and roads of Georgia, as well as the railway to Turkey are important terminal points of the Caucasus section of the so-called west-east transport corridor. Through the Georgian territory go the most advantageous overpasses for the transportation of oil and gas from the countries of Central Asia and the Caspian region to Europe.

In the "Resolution of the Parliament of Georgia on the Foreign Policy of Georgia" (paragraph 10) it is noted: "The priority of the foreign policy of Georgia is to effectively use its geopolitical location, in order to create suitable conditions for transnational projects and to extend economic and other types of relations with the Eastern countries" [133].

By positioning itself as a European state, Georgia since restoration of independence has declared the European vector of development as one of the most important goals of its foreign policy. In the long term, Georgia aspires to an

integration of the country into the political and economic space of the European Union and into the North Atlantic structures.

As noted in the "National Security Concept of Georgia, "One of Georgia's major foreign and security policy priorities is membership in NATO and the European Union. As a Black Sea and Southeast European country, Georgia is part of Europe geographically, politically, and culturally; yet it was cut off from its natural course of development by historical cataclysms. Integration into NATO and the EU is Georgia's sovereign choice, one which will strengthen Georgia's security and ensure its stable development" [National Security Concept of Georgia [134].

As part of the movement towards integration into the European Union, on March 24, 1992 Georgia became a member of the Organization for Security and Cooperation in Europe - of a forum of parliamentarians from 57 member countries. In July 2016, Georgia for the first time in its history hosted the 25th annual session of the Organization for Security and Cooperation in Europe (OSCE), dedicated to the theme "25 years of parliamentary cooperation: build trust through dialogue". In May 1992, Georgia joined the Treaty on Conventional Armed Forces in Europe. In 1992, Georgia also became a member of the European Bank for Reconstruction and Development (EBRD). In April 1999, Georgia became a member of the Council of Europe, an international organization promoting cooperation in the field of human rights, democratic development, the rule of law and cultural interaction, thus demonstrating a commitment to European values.

In April 1999, Georgia withdrew from the Collective Security Treaty of the CIS member states, and in July 1999, the Agreement on Partnership and Cooperation between Georgia and the European Union entered into force.

In 2009, Georgia joined the EU project the Eastern Partnership (EaP). The main priorities of the EaP are: democracy, perfect governance and stability; economic integration and convergence with the EU's sectoral economic policies, including the creation of free trade zones; energy security (reliable energy supply to both partner countries and the EU, development of renewable energy sources); the development of contacts between people - liberalization of the visa regime and at the same time strengthening the fight against illegal migration.

On March 7, 2013, the Georgian parliament unanimously adopted a resolution defining the main directions of the country's foreign policy, where, in particular, there are the following items:

“3. Georgia's key priority is the membership of the European Union. Georgian Authorities continue the timely and efficient implementation of the Association Agreement, including the component of the deep and comprehensive free trade agreement and association agenda and consistent institutional approximation with the European Union. The Georgian Authorities will deepen bilateral and multilateral strategic partnership with the European countries. Georgia will continue its way towards full integration in the European Union. The Association Agreement is not the ultimate goal of the relations between Georgia and the European Union. Based on Article 49 of the Treaty of the European Union, Georgia aspires towards the membership of the European Union;

4. Georgia's main priority is the membership of the NATO. The Georgian authorities will continue purposeful activities for practical enforcement of the decision, adopted in 2008 at the NATO Bucharest Summit by the allies that "Georgia will become a NATO member" [133].

Thus, in February 2013, Georgia received an action plan for the liberalization of the visa regime with the EU, in November of the same year, at the Eastern Partnership summit in Vilnius, the Association Agreement between Georgia and the European Union was initiated. In June 2014, this Agreement was signed and then ratified by Georgia and all EU members. On December 18, the European Parliament approved the Agreement, and from July 1, 2016 it entered into force. Since March 28, 2017, citizens of Georgia can visit EU countries without visas.

In January 2014, Georgia became the 40th member of the European Organization for the Safety of Air Navigation (Eurocontrol). An agreement on deep and comprehensive free trade was also initiated, as well as an agreement on the engagement of Georgia in civilian missions and military operations of the EU was signed.

Georgia is developing relations with the scientific institutes of the European Union. Since the 1960s, Georgian physicists have been involved in the activities of CERN. Now this participation has become even more intense. In 2008, an agreement was signed on the further development of scientific and technical cooperation between CERN and the Government of Georgia, and in 2011, a protocol on cooperation in developing joint projects [135].

Georgia is actively developing relations with NATO, cooperating in the field of democratic and institutional reforms, as well as in the sphere of military reform, having established practical cooperation in various areas.

Cooperation with NATO began in 1992, when Georgia joined the Euro-Atlantic Partnership Council. Over the years, the partnership expanded. In 1994, Georgia joined the Partnership for Peace (PfP) program, and in 1999 became the participant of the "Planning and Analysis" program.

Also in 1999, Georgia became an associate member of the NATO Parliamentary Assembly, which is a consultative interparliamentary organization consisting of representatives of the legislative bodies of all NATO countries, as well as 13 associate members.

Georgia and NATO eventually began an active dialogue on the country's desire to become a full member of the organization. In 2002, Georgia proclaimed its intention to become a member of NATO and to develop an Individual Partnership Action Plan (i.e. a detailed program of cooperation and dialogue between Georgia and NATO) for this. In August 2004, Georgia officially presented NATO such an Individual Partnership Action Plan. In October 2004, the NATO Council approved the Plan, and Georgia entered the next stage of Euro-Atlantic integration. In 2005 by the decision of the President of Georgia was formed a commission for the implementation of the Individual Plan, led by the Prime Minister.

Since 2004, the Georgian Armed Forces have begun cooperation with NATO within the framework of the International Security Assistance Force (ISAF). In 2005, NATO and Georgia signed an agreement on the transit of military contingents and supplies to the ISAF across Georgia.

On April 13, 2006, a discussion was held at NATO Headquarters on the assessment of the implementation of the Individual Partnership Action Plan of Georgia. In 2006, the Georgian parliament voted unanimously for Georgia's integration into NATO. On January 5, 2008, on the eve of the NATO summit, a nationwide plebiscite was held on the theme: "Do you support Georgia's accession to the North Atlantic Treaty Organization (NATO)?" Approximately 77% of citizens who took part in the procedure voted for joining NATO. The President of Georgia sent a letter to the NATO Secretary General, expressing the readiness of the Georgian side to join the NATO Membership Action Plan (MAP), which represents a list of requirements that must be fulfilled in order to become a full-fledged member state of the Alliance.

Georgia's aspiration to join NATO was supported in April 2008 at the NATO summit in Bucharest, where it was stated that Georgia would become a member of NATO, when it would meet the requirements for membership in this organization. This decision was confirmed at subsequent NATO summit meetings. In September 2008, the NATO-Georgia Commission (ANG) was created aiming at the deepening of the political dialogue between NATO and Georgia, to guide the process of further development of relations that started in Bucharest in 2008.

Georgia is a member of the Euro-Atlantic Partnership Council (EAPC) - the NATO Institute, which is a multilateral forum created to improve relations between NATO and non-NATO countries in Europe and Asian countries bordering on Europe.

In 2009, the NATO Parliamentary Assembly approved the creation of the Georgia-NATO Interparliamentary Council, consisting of the Bureau of the Assembly (President, Vice-President and Treasurer) and four Georgian delegates to the NATO Inter-Parliamentary Assembly. The group meets twice a year and discusses all aspects of cooperation between Georgia and NATO and coordinates all actions of the Assembly towards Georgia.

In May 2017, a session of the NATO Parliamentary Assembly was held in Tbilisi.

12.2. Georgia's participation in global and regional international institutions

In addition to the European Union and NATO, Georgia cooperates and expands its cooperation with countries of all regions of the world, with a very wide range of organizations at both global and regional levels around the world. The development of regional cooperation is one of the main directions of achieving of Georgia's national security, as well as the strategic goal of its foreign policy. The resolution of the Parliament of Georgia that defines the main directions of the

country's foreign policy states (paragraphs 6 and 7): "The Georgian Authorities will pay special attention to the development of relations in multilateral formats within The United Nations Organization, The Organization for Security and Cooperation in Europe, The Council of Europe, The Black Sea Economic Cooperation, GUAM and other international organizations' formats...Georgia, as the responsible member of the International Community and supporter of international peace, will fully share the commitments in the fight against the challenges, which are facing the civilized world. The Georgian authorities will pay special attention to making important contribution in military missions, carried out for strengthening international security and stability, to the fight against terrorism and organized crime, as well as to the prevention of proliferation of mass destruction weapons, conventional weapons and military equipment" [133].

On July 31, 1992, Georgia became the 179th member of the United Nations. It also participates in the work of a large number of specialized organizations that are elements of the UN system:

UNESCO - United Nations Educational, Scientific, and Cultural Organization;

UNIDO - United Nations Industrial Development Organization;

OPCW - Organization for the Prohibition of Chemical Weapons;

WHO - World Health Organization;

FAO - Food and Agriculture Organization of the United Nations;

UNCTAD - United Nations Conference on Trade and Development;

IFAD - International Fund for Agricultural Development;

ILO - International Labor Organization;

ICAO - International Civil Aviation Organization;

ITU - International Telecommunication Union;

UPU - Universal Postal Union;

WIPO - World Intellectual Property Organization;

UNWTO - United Nations World Tourism Organization;

WMO - World Meteorological Organization;

WTO - World Trade Organization;

WB - World Bank;

IAEA - International Atomic Energy Agency;

IBRD - International Bank for Reconstruction and Development;

IFC - International Finance Corporation;

IMF - International Monetary Fund;

IDA - International Development Association;

IFAD - International Fund for Agricultural Development;

IMO - International Maritime Organization.

A major achievement of Georgia was the accession to the World Trade Organization in 2000. The process of accession was lengthy, coupled, according to the procedure, with a large number of negotiations. In 1996, Georgia received the status of the observer, which is necessary for acquaintance with the system of trade relations in the WTO frames.

Then, at the beginning of 1997, the government of the country presented the Memorandum about its trade policy, which showed that it was ready to reform the economy in accordance with the standards of the trade organization. As a result, in 2000 the Parliament of Georgia ratified the Protocol of Accession to the Marrakesh Agreement, and the country became a full member of the World Trade Organization. Having joined the WTO, Georgia has expanded the opportunities to effectively use its transit potential, attract foreign investments to the country, which contributes to the development of the country's economy. Support of the WTO increases the opportunity to take a worthy place in the system of the international division of labor.

Since 1993, Georgia was a member of the CIS, but on August 17, 2009 voluntarily withdrew from it.

Georgia participates in GUAM, a regional organization that initially included Georgia, Ukraine, Azerbaijan, and Moldova. Politico-consultative forum of this regional organization was formed on October 10, 1997 in Strasbourg at a meeting of presidents of these countries within the framework of the Council of Europe summit.

The main areas of cooperation within the GUAM framework include:

- the formation of a system of political consultations and coordination of efforts in solving common security problems;
- political interaction in international organizations;
- development of the Euro-Asian transport corridor;
- cooperation in the sphere of oil production and transportation to European countries;
- conflict resolution and the fight against separatism;
- military and military-technical cooperation;
- cooperation in the development of the road and rail transport corridor Europe-Caucasus-Asia;
- the establishment of democratic values, the rule of law and respect for human rights;
- creation of a free trade zone and further development of the economic space.

Speaking at the GUAM Summit in March 2017, the Prime Minister of Georgia emphasized the need to strengthen coordination among member countries for the development of their economies. He stressed that there exist a wide field of opportunities for expanding trade and deepening economic integration, and welcomed the signing of documents aimed at improving the functioning of the Free Trade Area of GUAM and increasing the competitiveness of the GUAM Transport Corridor.

Georgia is a member and one of the founders of the Organization of the Black Sea Economic Cooperation (BSEC), which, in addition, includes Azerbaijan, Albania, Armenia, Bulgaria, Greece, Moldova, Romania, Serbia, Turkey and Ukraine. In 1998, Georgia became a member of the Black Sea Trade and Development Bank. The agreement on the creation of this main financial

structure of the Organization was signed in Tbilisi in 1994, in 1997, the bank was organized, and in 1999 began to operate. Also in Tbilisi in 1999, an institutional mechanism (Platform) of cooperation between the BSEC and the EU was formed.

Within the framework of the BSEC, Georgia attaches special importance to the development of cooperation in such important areas as transport, energy, trade, agriculture and tourism, as well as other areas such as the development of small enterprises, science and technology, the fight against organized crime, and the improvement of institutional governance mechanisms. Through the implementation of their reforms, Georgia contributed to the intensification of regional economic ties. Due to a significant reduction in non-tariff and tariff barriers, trade relations between Georgia and a number of BSEC countries improved, conditions of cargo transportation throughout the country were also improved. Currently, there is no transit fee for road transport, visa procedures are much simplified. Trade agreements have been signed, as well as agreements on a visa-free regime with Azerbaijan, Armenia, Moldova and Ukraine. Georgia has an agreement on a three-month visa-free stay with Turkey. It is also planned to switch from a preferential trade regime to a free trade agreement with Turkey.

The effectiveness of cooperation is manifested in the implementation of a number of projects of regional cooperation in the field of transport and energy within the BSEC, first of all in the implementation of a number of transport projects: of a railway Baku-Tbilisi-Kars ; of oil pipelines Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Supsa, of Baku-Tbilisi-Erzurum. These transport arteries make it possible to effectively use the energy potential of the region. At the same time, Georgia stands for the development of cooperation in the energy sector on the basis of market principles only [136].

In addition to the abovementioned, Georgia is a member or participant of other international organizations, both governmental and non-governmental:

CD - Community of Democracies

ADB (AsDB) - Asian Development Bank

G-11 - Group of Eleven

GCTU - General Confederation of Trade Unions

ITUC - International Trade Union Confederation

ICC - International Chamber of Commerce

ICCT - The International Council on Clean Transportation

ICRM - International Conference on Radiation Medicine

IFRC - International Federation of Red Cross and Red Crescent Societies

IOC - International Olympic Committee

IOM - International Organization for Migration

IPU - Inter-Parliamentary Union

ITSO - International Telecommunications Satellite Organization

MIGA - Multilateral Investment Guarantee Agency

INTERPOL - International Criminal Police Organization

WCO - World Customs Organization

OIF - Optical Internetworking Forum (Observer)

SELEC - Southeast European Law Enforcement Centre (Observer)

CPLP - Community of Portuguese Language Countries (Associate Observer)

[137].

Georgia seeks to maintain bilateral and multilateral cooperative relations with a number of regional organizations in other parts of the world - such as the League of Arab States (LAS), the Cooperation Council for the Arab States of the Gulf (GCC), the African Union (AU), the Pacific Islands Forum (PIF), the Organization of American States (OAS, observer), the Rio Group (was succeeded in 2010 by the Community of Latin American and Caribbean States) and other.

LIST OF ACRONYMS OF INTERNATIONAL ORGANIZATIONS

- ADB (AfDB)** - African Development Bank
ADB (AsDB) - Asian Development Bank
AFESD – Arab Fund for Economic and Social Development
AISU – Arabian Iron and Steel Union
AMF - Arab Monetary Fund
APEC - Asia-Pacific Economic Cooperation
ASEAN - Association of Southeast Asian Nations
AU - African Union
BIS - Bank for International Settlements
BIRPI - United International Bureaux for the Protection of Intellectual Property
BSEC - Organization of the Black Sea Economic Cooperation
BSTDB - Black Sea Trade and Development Bank
CACCI - Confederation of Asia-Pacific Chambers of Commerce and Industry
CACM - Central American Common Market
CAEU - **Council** of Arab Economic Unity
CARICOM - Caribbean Community and Common Market
CEDAW – Convention on the Elimination of All Forms of Discrimination against Women
CERI - The Centre for Educational Research and Innovation
CERN - (French: Conseil Européenne pour la Recherche Nucléaire) European Organization for Nuclear Research
CIS - Commonwealth of Independent States
COE - Council of Europe
COLOMBO PLAN
COMESA - Common Market for Eastern and Southern Africa
CSCE - Conference on Security and Co-operation in Europe
DAC - Development Assistance Committee
DPA – Department of Political Affairs, United Nations
DPKO - United Nations Department of Peacekeeping Operations
EAGGF - European Agricultural Guidance and Guarantee Fund
EC – European Community
EBRD - European Bank for Reconstruction and Development
ECB - European Central Bank
ECHR – European Convention on Human Rights
ECE – UN Economic Commission for Europe
ECMT - European Conference of Ministers of Transport
ECO - Economic Cooperation Organization
ECOSOC - United Nations Economic and Social Council
ECOWAS - Economic Community of West African States
ECSC - European Coal and Steel Community
EDF - European Development Fund

EEC - European Economic Community
EFTA - European Free Trade Association
EIB - European Investment Bank
EMS - European Monetary System
EMU - Economic and Monetary Union
EPO - European Patent Organization
ERDF - European Regional Development Fund
ESCWA - United Nations Economic and Social Commission for Western Asia
ESA - European Space Agency
EU - European Union
EUROCONTROL - European Organisation for the Safety of Air Navigation
E-10 – Elected 10 Members of the UNSC
FAA - Federal Aviation Administration
FAO - Food and Agriculture Organization of the United Nations
FATF - Financial Action Task Force On Money Laundering
FEOGA (French: Fonds Européen d'Orientation et de Garantie Agricole)
 European Agricultural Guidance and Guarantee Fund (EAGGF)
GA - United Nations General Assembly
GATS - General Agreement on Trade in Services
GATT - General Agreement on Tariffs and Trade
GDP - Gross domestic product
GEF - Global Environment Facility
GSTP - Global System of Trade Preferences Among Developing Countries
G-7 – Group of Heads of Government of 7 Industrialized Countries
G-20 (Group of Twenty) – An international forum for the governments and central bank governors of 19 countries and EU (of leading industrialized and emerging economies of the world)
IADB or IDB or BID - Inter-American Development Bank
IAEA - International Atomic Energy Agency
IASB - International Accounting Standards Board
IATA - International Air Transport Association
IBRD - International Bank for Reconstruction and Development
ICAO - International Civil Aviation Organization
ICC - International Chamber of Commerce
ICCPR – International Covenant on Civil and Political Rights
ICJ - International Court of Justice
ICSID - International Center for Settlement of Investment Disputes
IDA - International Development Association
IDB - Islamic Development Bank
IEA - International Energy Agency
IFAD - International Fund for Agricultural Development
IFC - International Finance Corporation
ILO - International Labor Organization

IMF - International Monetary Fund
IMFC - International Monetary and Financial Committee
IMO - International Maritime Organization
IPCC – International Panel on Climate Change
ITC - International Trade Centre UNCTAD/WTO
ITU - International Telecommunication Union
LAIA / ALADI - (Spanish: Asociación Latinoamericana de Integración) Latin American Integration Association
LAS - League of Arab States or Arab League
MERCOSUR (Spanish acronym of Mercado Común del Sur) or Portuguese Mercosul (acronym of Mercado Comum do Sul) - Common Market of the Southern Cone
MIGA - Multilateral Investment Guarantee Agency
NAFTA - North American Free Trade Agreement
NEA - Nuclear Energy Agency
OAPEC - Organization of Arab Petroleum Exporting Countries
OAS or **OEA** Organization of American States (Spanish: Organización de los Estados Americanos)
OAU - Organization of African Unity
OECD - Organization for Economic Co-operation and Development
OIC - Organization of the Islamic Conference
OPEC - Organization of the Petroleum Exporting Countries
OSCE - Organization for Security and Co-operation in Europe
PBEC - Pacific Basin Economic Council
PECC - Pacific Economic Cooperation Council
PIF - Pacific Islands Forum (formerly the South Pacific Forum)
P-5 – Permanent Five Members of the UNSC
SAARC - South Asian Association for Regional Cooperation
SADC - Southern African Development Community
SELA - (Spanish: Sistema Económico Latinoamericano y del Caribe) Latin American Economic System
SPC - Pacific Community (formerly the South Pacific Commission)
TEU – Treaty on European Union
UDEAC - (French: Union Douanière et Économique de L'Afrique Centrale) Central African Customs and Economic Union
UEMOA - (French: Union Economique et Monétaire Ouest Africaine) West African Economic and Monetary Union
UN - United Nations
UNCDF - United Nations Capital Development Fund
UNCITRAL - United Nations Commission on International Trade Law
UNCTAD - United Nations Conference on Trade and Development

UNDAF - United Nations Development Assistance Framework
UNDP - United Nations Development Programme

UNDRO - United Nations Disaster Relief Organization
UNECA or **ECA** - United Nations Economic Commission for Africa
UNECLAC or **ECLAC** - United Nations Economic Commission for Latin America and the Caribbean
UNEP - United Nations Environment Programme
UNECE or **ECE** - United Nations Economic Commission for Europe
UNESCAP or **ESCAP** - United Nations Economic and Social Commission for Asia and the Pacific
UNESCO - United Nations Educational, Scientific, and Cultural Organization
UNFPA - United Nations Population Fund (formerly the United Nations Fund for Population Activities)
UNHCR - Office of the United Nations High Commissioner for Refugees
UNHCHR (OHCHR) - Office of the United Nations High Commissioner for Human Rights
UNICEF - United Nations Children's Fund
UNIDO - United Nations Industrial Development Organization
UNIFEM - United Nations Development Fund for Women
UNSC – United Nations Security Council
UNITAR - United Nations Institute for Training and Research
UNODC - United Nations Office on Drugs and Crime
UNWTO - United Nations World Tourism Organization
UPU - Universal Postal Union
WB - World Bank
WFP - World Food Programme
WHO - World Health Organization
WIPO - World Intellectual Property Organization
WMO - World Meteorological Organization
WTO - World Trade Organization

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