



9th Silk Road International Conference
on Business, Economics, International
Relations and Education

PROCEEDINGS



May 23-25. 2014
TBILISI, GEORGIA

ISSN 1512-2549
UDC (უბკ) 378.4 (479.22) (063)
C-74

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9th International Silk Road Conference on Business, Economics, International Relations and Education

May 23-25, 2014
Tbilisi, Georgia

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CHANGE IN EDUCATION

PROF. KRZYSZTOF RYBINSKI
RECTOR, VISTULA UNIVERSITY



VISTULA UNIVERSITY IN NUMBERS

	2009	2013
Number of students (foreign)	3500 (50)	5000 (1300)
No of countries	3	43
Number of programmes: BA - MA - PhD	5-1-0	18-5-1
Number of research grants: state sector - private sector – EU	1-0-0	5-6-5
Number of business partners	0	35
Position in Polish ranking of HEIs	57	5 (1st in INT)

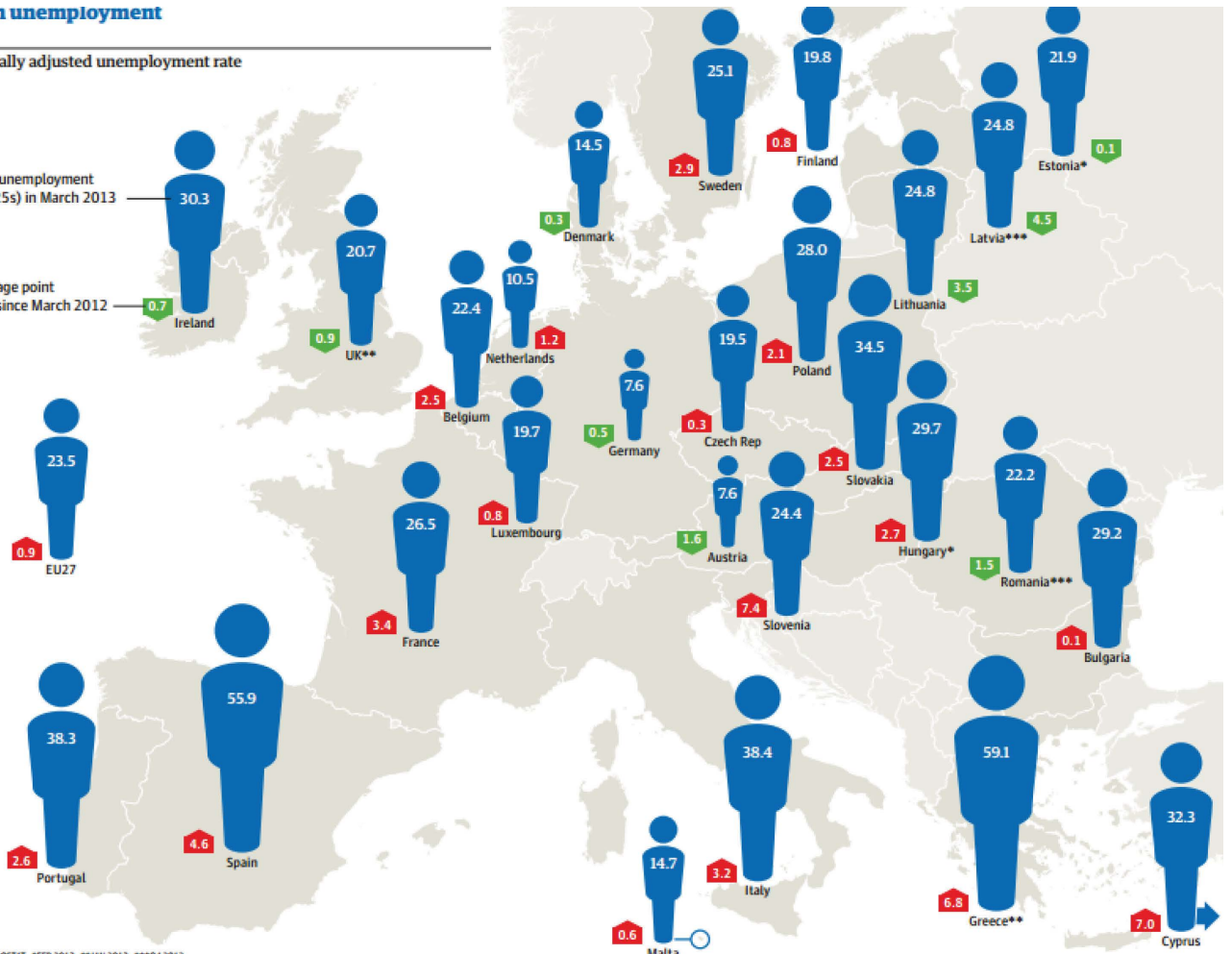


Youth unemployment

Seasonally adjusted unemployment rate

% youth unemployment (under 25s) in March 2013

Percentage point change since March 2012



SOURCE: EUROSTAT **FEB 2013 **JAN 2013 ***Q4 2012





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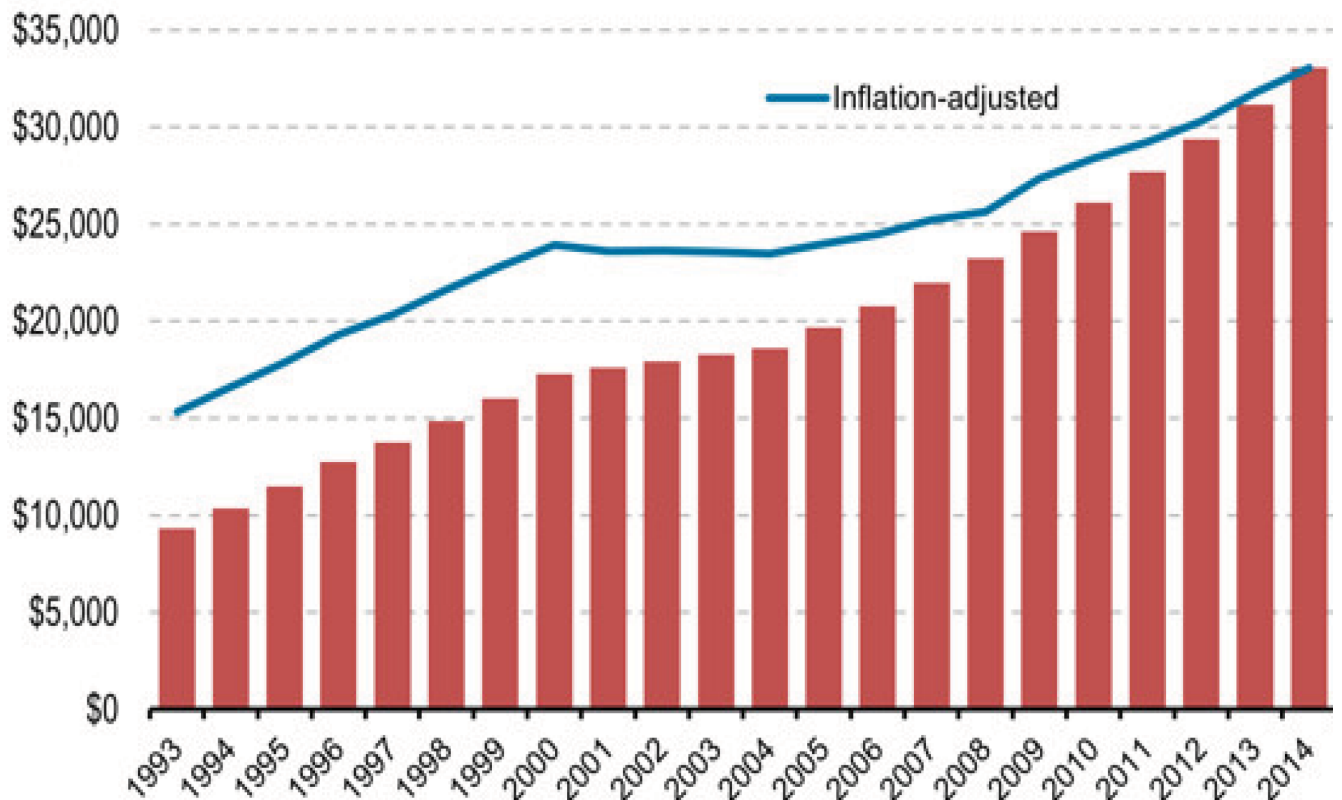
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Class of 2014

UNITED STATES

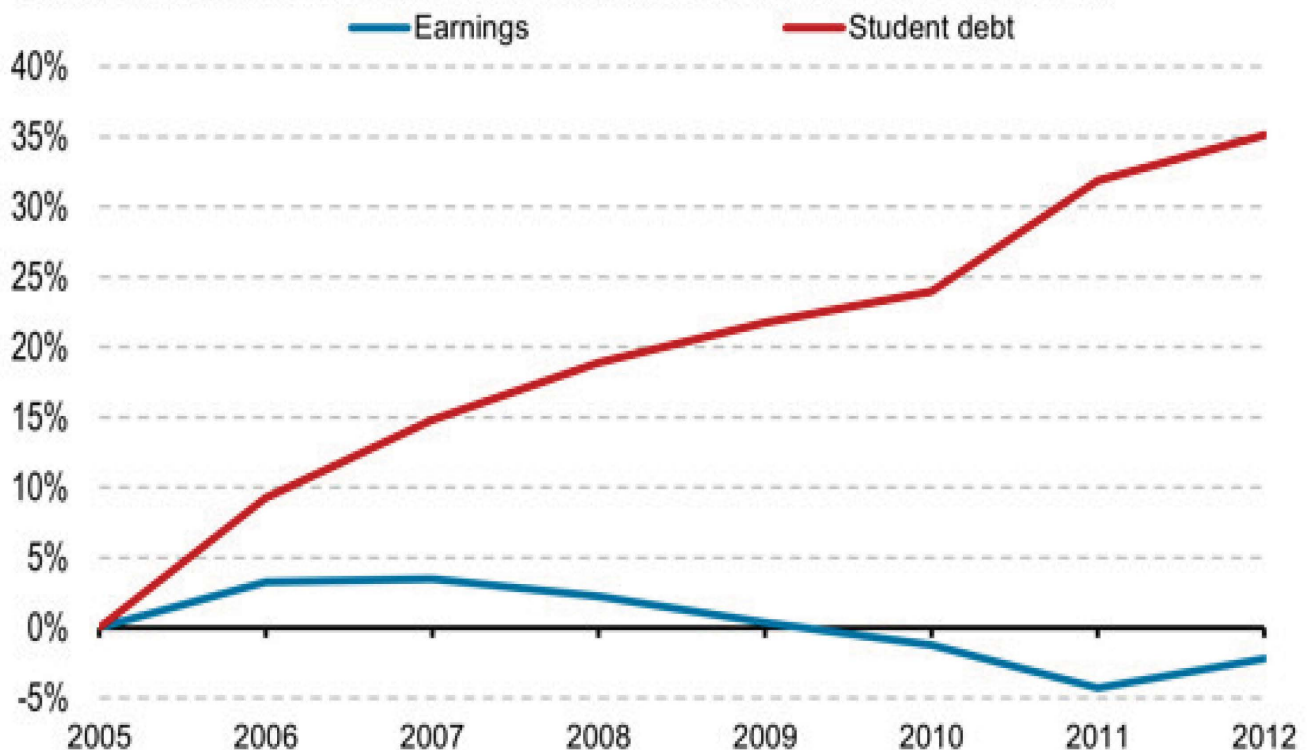
Average debt per borrower in each year's graduating class.



Source: Mark Kantrowitz analysis of National Center for Education Statistics data | WSJ.com

What Young People Make and What They Owe

Percent change from 2005 in median annual earnings of people 25-34 years old holding just a bachelor's degree and average student loan balance for people under 30 years old.

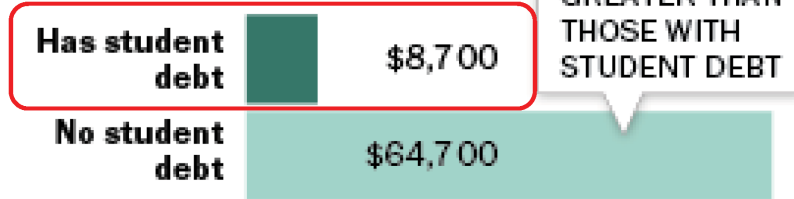


Source: National Center for Education Statistics (earnings); NY Fed (student debt) | WSJ.com

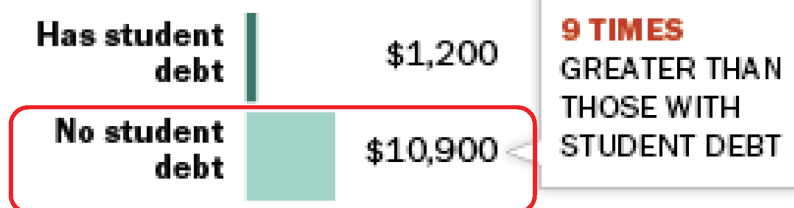
Young Student Debtors Lag Behind in Wealth Accumulation

Median net worth of young households

COLLEGE EDUCATED



NOT COLLEGE EDUCATED



Source: Pew Research Center

Old Education Model

Typical university



Rat Race

You?
↓
Still a rat





PASSION

CAN DO IT!

From
*„If you study hard you will **GET** a
good **job**”*

To
*„How to **CREATE** your **future**, be
successful and happy”*



Gillian
Lynne

19

CREATE YOURSELF



YOU ARE A UNIQUE BRAND





V



V



Marcin Beme
CEO, Audioteka

GLOBALIZER project



Bartłomiej Postek,
CEO Fun-Media

GLOBALIZER project

We are changing higher education in Poland

Old style

University teaches, student learns

Teacher shares his knowledge with students

University tests student knowledge

University prepares student to GET a job, be best in corporate rat race

University kisses graduate good-bye

OUR APPROACH

We help student acquire competencies crucial in professional life

Teacher shares his knowledge AND relationship capital with students

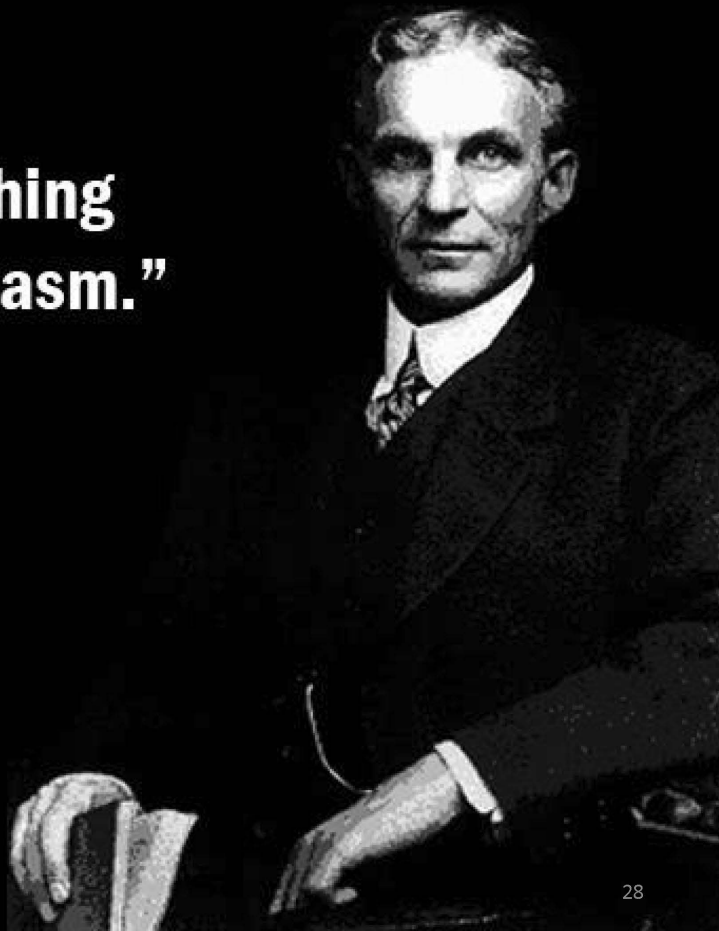
We help students discover their talent

We help CREATE a mindset that will lead to creating his own job

Stay in touch, graduates networking

“You can do anything if you have enthusiasm.”

- Henry Ford



ENTREPRENEURSHIP IN THE INNOVATION ECOSYSTEM

VAL LIVADA

SENIOR LECTURER IN THE MARTIN TRUST CENTER FOR
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Collaborative Innovation

- ▣ Over the last few decades, several key dynamics have combined to change the innovation ecosystem from a centralized, large company driven, to a global, distributed, environment.
- ▣ This change offers great opportunities to individuals and research organizations around the world to participate in commercialization of new technologies

Key Dynamics

Accelerating the Pace of Technology Based Change

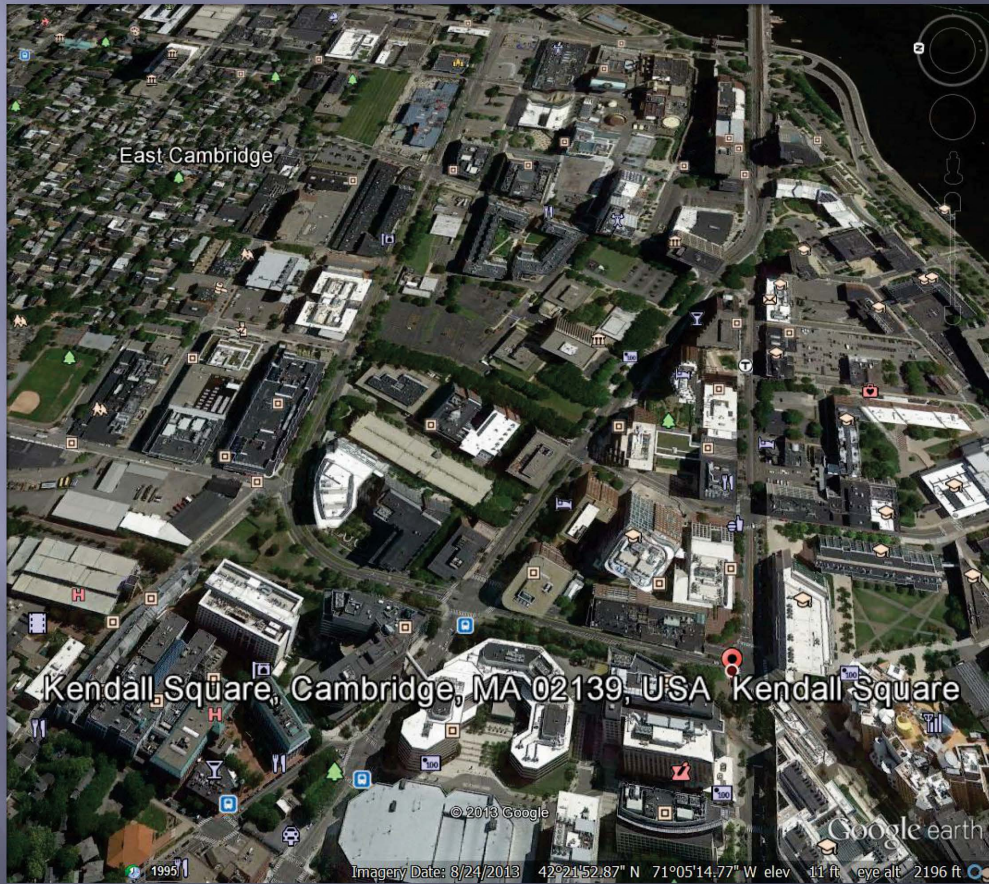
- **Speed of technology evolution**
 - Driven at the core by information technology/data manipulation
 - Major ramifications for bio and nano technologies
 - Overlapping technology streams

- **Globalization of competition**
 - Low cost of communication and transportation
 - Interconnectivity

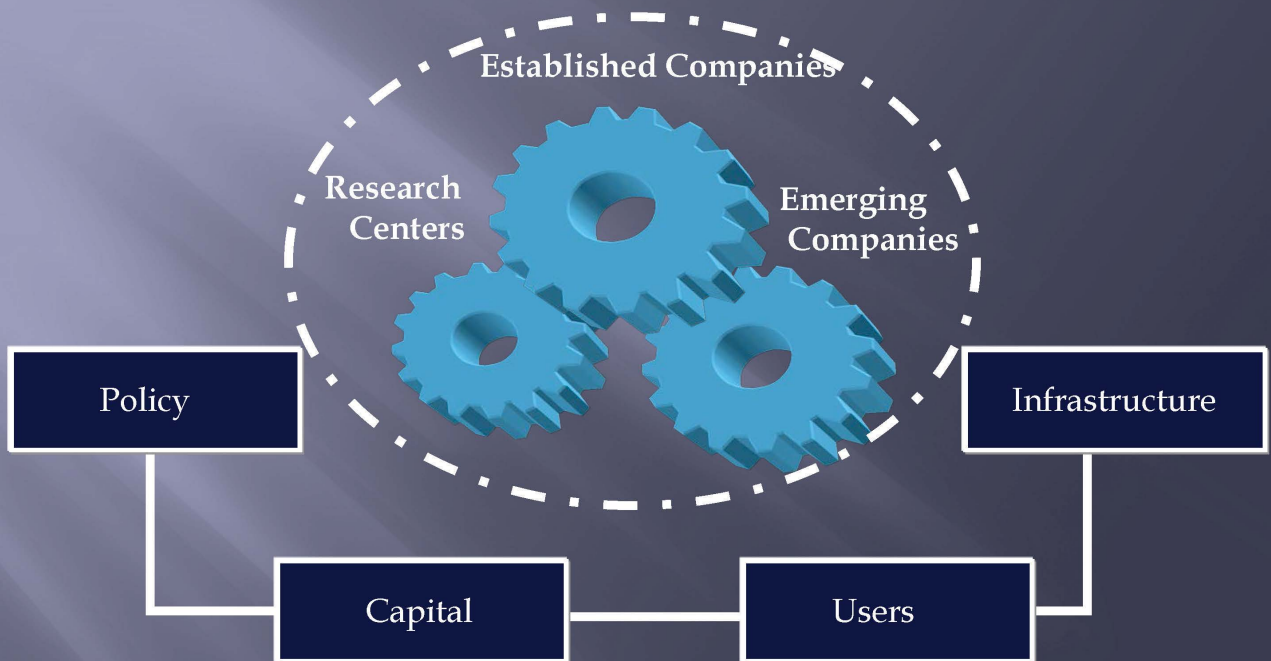
- **Growth of entrepreneurship**

3





The Innovation Ecosystem



Corporate Response

- Faced with increased competitive pressures and realizing that exclusive reliance on internal efforts is not enough, large corporations have abandoned the historic approach of “siloe d innovation”
 - Starting in the early 1980s they began the decentralization of the large corporate R&D organizations. The Development function was thus closely aligned with the individual business units.
 - The total R&D percentage allocated to internal Research has declined
 - For the last decade, most Western companies have accepted the open innovation concept and are now relying on external sources to fill the invention pipeline

University Dynamics

Dramatic shift away from “academics only” approach

Ability to both teach and innovate

More balanced culture of technical knowledge and commercialization

Entrepreneurship programs

Growing emphasis on technology transfer objectives

Improved processes

Major efforts

Funding for spinout efforts

MIT Deshpande Center

UMass Amherst Venture Fund

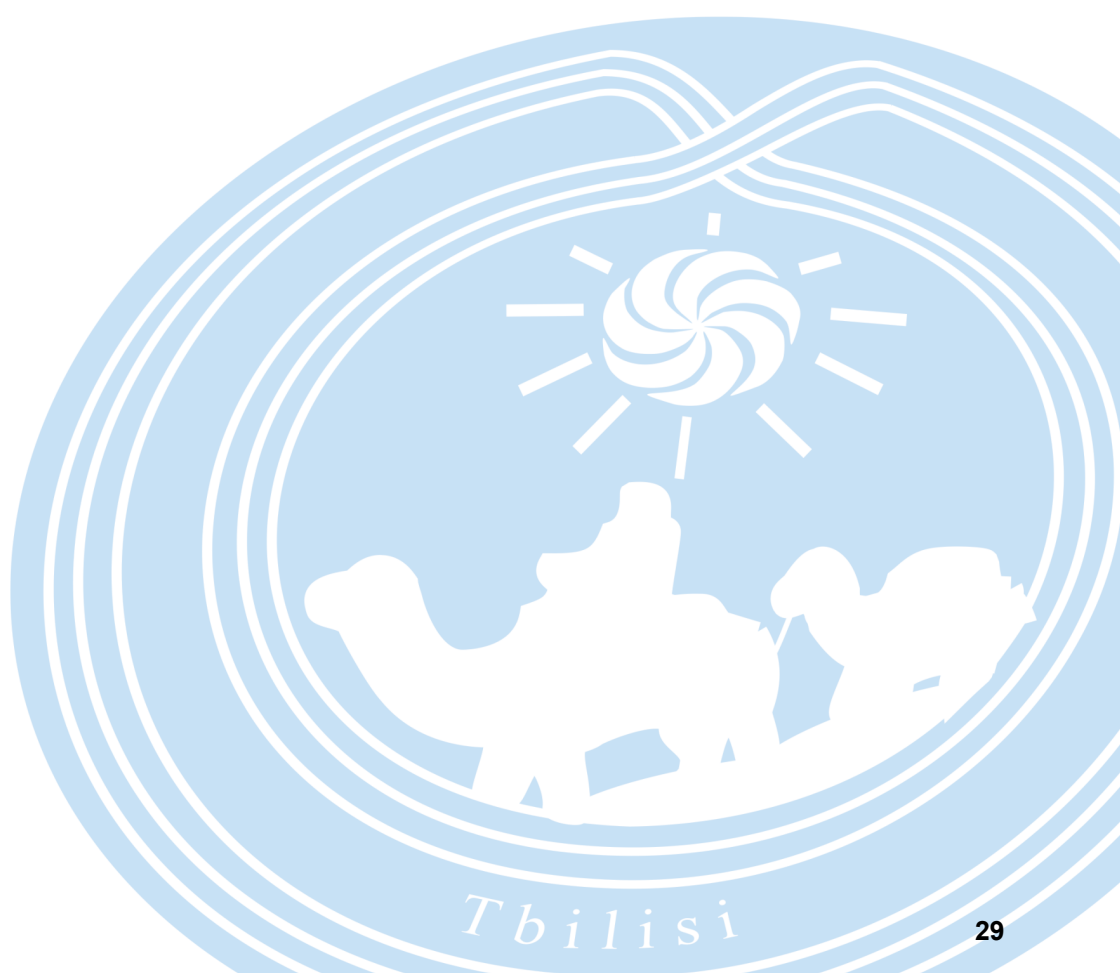
Selected MIT Statistics

- ▣ **\$100K Competition**
 - 85 startups
 - Market cap greater than \$10B
 - 2,500 jobs
 - \$600MM in VC investments
- ▣ **Deshpande Center**
 - Over 75 projects/\$10MM in grants
 - Over 15 spinouts
 - Over \$100MM in outside investments

Roberts Report

- ▣ **Conservative estimates: 17th largest economy**
- ▣ **Less conservative:**
 - 25,800 active companies
 - 3.3 million employees
 - \$2T in revenues
- ▣ **Recent patterns**
 - Startup pace accelerating
 - Younger age of founders
 - More women entrepreneurs
 - More foreign entrepreneurs

Business



Earning Quality Management in Georgian Public Companies

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Abstract

This paper illuminates the problem with temptation of earnings management and provides quantitative assessment of the presence of this problem among Georgian public companies. Given study serves two main purposes. The first purpose is to evaluate the common behavioral patterns in the earnings management practices and identify financial variables through which opportunistic representation of the financial statements is established along with common motives fuelling such behavior. Another purpose is to test whether lack of properties typical for developed country would have particular impact on the models suggested by foreign literature. This research is based on the cross-sectional data among 62 Georgian public companies listed on the GSE. The approach of the methodology is inspired by existing literature covering extensive models of earnings management detection and evaluation which have closely researched aggregate accruals for the earnings management detection.

Due to developing country status along with illiquidity and inefficiency of financial and capital markets, Georgian public companies are prone to lag in the transactions that contribute to accrual basis accounting. Thus, implemented Jones and Modified Jones Models don't show significant explanations in the variations of the dependent variables that represents primary detector of earnings management practices.

Keywords: Earnings quality, management, aggregate accruals, capital market, public companies

Introduction

Determining how much deviation there is from objective financial state of the company versus the desired one is the main point of the company earnings quality assessment. Following the financial scandals of recent years have increased the awareness of the need for more transparency in financial disclosures and more analysis of the available information. Extensive accounting and quantitative analysis can be used to better estimate the degree of quality in reported earnings. Specifically, some methods are tested for analyzing the integrity of accrual accounts, which are key tools for manipulating of financial results, but throughout of the earnings quality determination process, it should be kept in mind that, accounting analysis still relies on subjective and incomplete input. Presumably, there will be a particular need to incorporate opinions regarding the magnitude of accounting accruals: the micro and macro state of the business environment, governance, insider corporate culture, auditors' opinions, and management motivation guided by performance fees and benefits. Further, financial analysis should not be thought of as a standalone methodology for determining the investment stats of a security. Provided financial research fits into broader framework of analysis, which includes permanent scrutiny with corporate strategic vision, financial ratio generation and interpretation, valuation

analysis – to keep it smart and simple – all of the handy tools of the real fundamentalist. Hopefully, the end result will be to

reduce general uncertainty as to whether a firm's reported financial data captures its true economic condition. Narrowing the area of focus on local companies, could provide particular guidance in analyzing this relatively small yet so unstable corporate universe of our country.

I. Financial reporting quality and warning signs in literature

In the course of this discussion we have presented some major themes in financial reporting quality. This is a broad area with considerable academic and practitioner research. Indeed, many of the techniques discussed are used by different types of financial statement users to derive valuable information and further gain on that information by taking justified investment action. As identified, sources of accounting discretion include choices related to revenue recognition, depreciation choices, inventory accounting choices, choices related to goodwill and other noncurrent assets. A framework for detecting reporting problems and highlighting them as a "red flag" includes examining reported financials for revenue recognition issues and expense recognition issues. The Figure 2 below gives more structured representation of the above discussion, consolidated according to the sources of research: **Table 1** - Accounting Warning Signs

and Related Literature.

All the studies mentioned above have both similarities and differences in understanding earnings quality management. Yet the common denominator for prior literature is the irresistible desire to research and measure adverse consequences of the financial misbehavior. Thus, there are multiple approaches to disclose use of discretionary accruals' method and in the next section it's extensively represented the application of assessment process fitted to the local environment.

II. Earnings Quality Assessment in Georgian Public Companies

Overview of Georgian Capital Market

Georgian capital market is quite small and does not offer significant diversity to the private business sector for capital sourcing. Though generally, capital market has two dimensions, the organized stock market and the debt market that more likely takes shape of bank credit. However, the stock market is also limited in its operations due to the lack of incentives and local investment culture. Though economic growth in Georgia peaked almost five years ago, capital market has failed to attract the entrepreneurs as the key source of capital, which has usually been occupied by the banking system since beginning. That is why Georgian capital market has the lowest market capital as percentage of GDP in the region as well as among other similar sized economies: **Table 2** - Market Capitalization of the Listed Companies as the % of GDP.

Georgian stock exchange is the only organized securities market in Georgia. After 1994-1998 massive privatizations of approximately 1300 state-owned enterprises, those companies were designed as joint-stock companies that influenced an emergency of investment practices. The Enterprise Management Agency sets up supervisory councils and prepares enterprises for the privatization. In order to make them more attractive for investors, the enterprises are restructured, broke up into separate assets or combined with others into one cluster. In some companies it is preferred to launch a liquidation or bankruptcy procedure, while in others - to implement rehabilitation programs. In order to ensure transparency and competition, the Enterprise Management Agency has worked out the privatization procedures. As for today, EMA is engaged in excessive merging-liquidation process of the enterprises that is held in partial ownership of the state. Several large enterprises are being geared up for sale. One of such companies is the joint stock company Azoti, which is specialized in chemical industry and employs up to 3,000 people. It can annually produce 162,0 thousand tons of ammonia, 266,4 thousand tons of nitric acid, 337,5 thousand tons of ammonium nitrate, 9,0 thousand tons of pure sodium cyanide, 140,0 thousand tons of ammonium sulfate. The Rustavi metallurgical plant is the only metallurgical enterprise in the Caucasus region. It produces pipes, which are used in gas and oil extraction and transportation business. The enterprise has debts and, therefore, the bankruptcy procedure has been launched there. The Batumi oil processing plant stopped oil processing in 1990 and since then it has not been rehabilitated. However, the plant is used for storing and transferring oil. The plant is linked to the Batumi seaport both by rail and pipeline. The demand on oil storage and transportation is increasing every year. Given the numbers above that might sound impressive for the small-sized economy, Georgian capital market remains undeveloped and illiquid. To give a better idea of the volume of trading on the GSE, consider that the exchange only re-

corded 0.2% of stock turnover ratio (total value of shares traded during the period divided by the average market capitalization for the period. Average market capitalization is calculated as the average of the end-of-period values for the current period and previous period) for the year of 2012 as opposed to the similar sized country – Croatia, recording 2.3% of stock turnover ratio for the same year. In the case of the GSE, the lack of liquidity and low levels of capitalization are creating a vicious circle: companies will not see a reason to go public unless there is active trading going on, but then, of course, there will be no active trading if companies choose not to go public to begin with. In this situation, the stock exchange does not play the role of a place where prices are determined – instead, it just serves as a clearing house for deals that the market players strike in advance (Botsvadze I., Mercan M. n.d.). Alongside with the low turnover, Georgian market suffers the common symptoms of reduced investor confidence

Methodology and Data

Collected data is based solely on the official data disseminators and on the printed source in the form of annual reports, books, articles and standards. Hence, the information doesn't come directly from the source (identified as a reporting company). Furthermore, the raw data used includes annual reports of 62 Georgian public companies and their financial results for the year ended 2012 and 2011 from the population of 133 listed joint stock companies, which is approximately 47%. The reason that the research is not based on population is that significant part of those companies fall short in survivorship bias and therefore financial statements are not available, while minor part lacks the reporting culture and annual reports are not yet submitted to the reporting authorities. However, the subjective proposition is that such environment should not have a significant impact on the study because the research is not aimed at investigating company-specific relationships but rather evaluate overall market earnings quality by discretionary model implementation in order to investigate whether companies in an environment that lacks common motives of earnings management and extensive cash transactions would still qualify as significant for earnings detection.

Earnings Quality Measure Application

The simple measures of earnings quality used in the paper are an effective way to cluster companies into low and high earnings quality groups. However, considering the illiquidity together with the volatility of Georgian public companies, it should be reasonable to increase the number of classifications, since the research showed the systematic discrepancies among the Aggregate Accruals' measure of the given data sample. In other words, the range of earnings quality, measured by the Aggregate Accruals Ratio (later AAR) changed from as small as 0.07% to almost 493%. As for the proper classification, the range of data was digested into four smaller groups that identified the company falling in the given range as: Economically Sound (i.e. "Sound" meaning that company under consideration has an AAR between 0% and 5% range, the lowest of possible and translates into the financially close descriptions of the real economic situation of the company) companies are considered to carry lower amounts of accruals and are characterized with higher sales to receivable relationships.

Company classified as "High" earnings quality considers an AAR measure between 5% and 10%, translating into the earnings quality that might be considered as reliable with minimum accounting discretion. However, such companies should be approached with particular care and should not be

Table 1: Accounting Warning Signs and Related Literature

Earnings Management Practice	Observation - "red flag"	Interpretation of the Practice	Related Literature
Revenue	Large increases in accounts receivable and/or large decreases in unearned revenue	Raised concern of revenue quality	(Vanzante N. 2013 and Durnev A., Mangen C. 2009)
	Recognition of revenue early for boosting current year-end earnings	Possibility of revenue overstatement	(Dechow P., Ge W., et al. 2009; Srivastava A. 2007; Sloan R. G. 1996 and Blocker C. P., Cannon J. P., et al. 2012)
	Digest of nonoperating income or gains as part of corporate operating activity	Biased perception of the profitability of corporate operations	(Barker R., Imam S. 2008; Lakonishok J., et al. 2002; Blocker C. P., Cannon J. P., et al. 2012 and Jensen I., Ramnath S., et al. 2012)
Expense	Inconsistency in the accounts included in operating revenues and associated expenses	May emphasize opportunistic approach to expense recognition	(Gunny K. A. 2010 and Weld L. G., Price C. E., 1999)
	Digest of operating expense or losses as nonrecurring items	Biased perception of the profitability of corporate operations/Masking the decline in operating results	(Sloan R. G., 1996; Allen E., Larson C., et al. 2011 and Lakonishok J., et al. 2002)
	Large increases in core operating margin (Sales - COGS - SGA)/Sales accompanied by the boost in negative nonoperating activities	Use of managerial discretion over expense classification	(McVay S. E. 2005)
	Buildup of inventory levels as opposed to the capacity to do so	May indicate unwritten obsolete inventory (May have particular negative impacts on consecutive periods)	(Weld L. G., Price C. E., 1999 and Myers J. H. 1969)
	Understating expenses by aggressively capitalizing versus expensing	Building strong asset base that has no real economic value	(Weld L. G., Price C. E., 1999; Sloan R. G., 1996 and Allen E., Larson C., et al. 2011)
Balance Sheet	Leasing classification preferences	Understated company creditworthiness and leverage levels (misvaluated corporate financial risk)	(Holt E., Eccles T. 2002; Mantecon T., Conover J., et al. 2012; Dhaliwal D., Lee H. S., et al. 2011 and Mantecon T., Conover J., et al. 2012)
	Fail to report goodwill impairments	May guide to rapid write downs in reported goodwill in further operating periods	(Beatty A., Weber J., 2005; Francis J. R., Wang D. 2008 and Ramanna K., Watts R. L. 2007)

Table 2: Market Capitalization of the Listed Companies as the % of GDP

	2008	2009	2010	2011	2012
Georgia	2.6	6.8	9.1	5.5	6
Armenia	1.5	1.6	1.6	1.4	1.3
Azerbaijan	3.4	5.9	11.2	6.5	6.9
Russian Federation	23.9	70.5	65.9	41.9	43.4
Turkey	16.1	36.7	41.9	26	39.1
Croatia	38.5	41.2	42.3	35.3	38.2
Ukraine	13.5	14.3	28.9	15.6	11.7
Lithuania	7.7	12.1	15.6	9.5	9.4
Estonia	8.2	13.9	12	7.3	10.7
Bangladesh	8.4	7.9	15.6	21	15.1
Ghana	11.9	9.7	10.9	7.9	8.5
Nigeria	24	19.8	22.3	16.1	21.5
India	52.7	86.4	94.4	54.2	68.6
China	61.8	100.3	80.3	46.3	44.9

Source: www.worldbank.org The World Bank data

judged relying only on the concluding remark of AAR measure.

An “Average” earnings quality company considers AAR measure that falls between the range of 10% and 18%. Economic reasoning behind such results goes back to the flexibility of the management to opportunistically decide among permitted accounting choices and reflect earnings that more closely matches the threshold of the given fiscal period.

And finally the companies that are labeled as “Red Flags” are investigated to have higher than upper bound of average AAR (AAR>18%) and translate into the possibilities of extensive earnings management practices such as boosting reported earnings by keeping low quality accounts receivables and inventory balances on the balance sheet when they should have been written down since they are not going to be collected by the company. The same issue spreads to depreciation method choices as previously defined in the chapter that described recognition issues, the range of problems and warning signs. Another explanation of given identification can be explained due to the particular distortions of operating direction of the companies. Due to operating obsolescence, companies tend to change their corporate titles and give up their predefined operating destination. In other words, and as an extensive example in the Georgian market environments, companies tend to use their fixed assets for external leases as their business strategy becomes unprofitable. The assets are leased out and corporate structures and systems are ceased to exist in their operating destination.

The figure below shows ranking of Georgian public companies according to earnings quality as assessed by AAR measure. Obviously, 23 of 62 companies can be labeled as economically “Sound”, totaling 37% of the total sample data,

similarly 10 out of 62 companies are identified to having “High” earnings quality contributing 16% of the sample data. As for average ranking 11 companies satisfied the test for being nominated as an “Average” earnings quality company, totaling approximately 18% of the given sample. Closely investigating the companies with extensive earnings quality issues, 18 companies was labeled as “Red Flag” contributing another 29% to the sample. Given the derived data of earning quality evaluation using NOI measure produces alarming situation for Georgian market. Closely investigating combining units of the “red flag” club, it’s obvious that some companies are extensively engaged in earnings quality spoilage. Even though all companies that produced AAR above 18%, there is extensive number of outliers that produced AAR far above 18% (As an example: GSE: ANDZ – 160, 74%; GSE: GGAS – 100, 2%; GSE: KAMV – 176, 72%... etc).

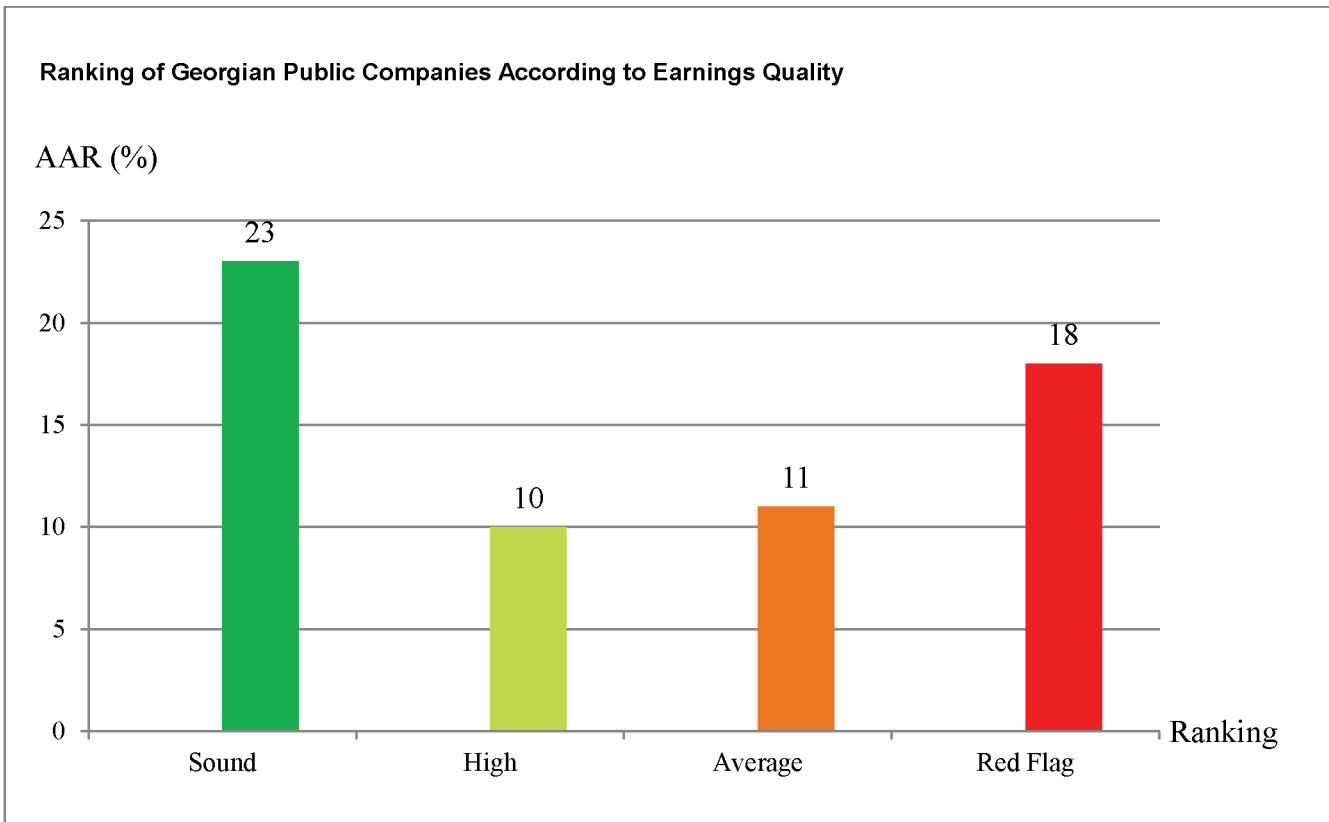


Figure 1: Earnings Quality Snapshot of Georgian Public Companies

Given the broad discretion afforded to management, it can be difficult to identify specifically which accrual or deferral was opportunistically approached in a given period. Rather than trying to measure discretion embedded within each accrual, an effective alternative is to investigate the aggregate accrual as a whole which will reflect the total portfolio of discretion and its impact on earnings for the period of interest.

III. Summary of the Research

This research examines the earnings quality in the Georgian public companies by non-discretionary accruals model application. Its purpose resides in revealing whether the common factors included within the examined model holds in the Georgian investment environment and whether the identified relationships contribute to the explanation of the earnings quality measure.

The lack of previous research concerning the identified subject and specificity of the Georgian market is an interesting and intriguing as well as challenging condition for the research conduct. Multiple explanations of the common motives of earnings management quality from the literature part can be judged from the local environment standpoint and while doing so it becomes evident that in order the common factors really to become effective drivers of earnings management practices, the presumption is to relocate to liquid and efficient markets – with developed capital markets and overnight demand for additional financial resource access. In such cases, executive managers have incentive to carve the financial results from the market preference and become opportunistic in their financial recording choices. As soon as Georgia does not apply neither for the list of high liquidity and efficient markets, nor for the developed state of the capital markets, the expectation concerning the relationships that holds in higher tier countries' earnings quality and accruals is questioned by the hypothesizing for model insignificance. The culmination of this paper is to assess the competence of modern discretionary accruals models due to answer the above questioned subject at GSE. Furthermore, this research develops first steps for the earnings weather identification for Georgian companies and further proposes the extension of the study. For that reason this paper considers the multiple regression analyses for testing known models. In order to maintain particular answers for those questions, this study defines earnings management at its most understandable discretionary accruals that is extensively inflated by developing country markets. Furthermore, the raw data used includes annual reports of 62 Georgian public companies listed on GSE and their financial results for the year ended 2012 and 2011 from the population of 133 listed joint stock companies, which is approximately 47% of the annually published data of total population. The influence of discretionary accounts on aggregate accruals was studied in two different research settings; the classification according to aggregate accruals measure and labeling according to the NOA as a proxy and the OLS method from the three-dimensional perspective of model implementation: Jones model, scaled Jones model and modified Jones model. Finally the statistical inference is presented in ANOVA tables and interpreted in light for qualifying significant or not. While the results outputted from accrual models using cross-sectional data indicates that the estimated average discretionary model for all sampled business over the 2011-2012 fiscal periods is zero, it statistically refines the hypothesized inference given the local market. In order to see the full picture and how well those models work in Georgian environment, this study produces different regression analyzes as well as interpretation of the respective outputs. A pointer is that the results should be referred to with some caution because of threat of re-

gression limitations and internal validity of the reported data that was accessible from the secondary data disseminators only. The result from ANOVA as well as parameter tables indicates that the Jones and modified Jones models are not powerful predictors of the earnings quality – discretionary accrual relationships. These results are however consistent with previous studies of Yoon and Miller (2002), and Yoon et al., (2006), who documented that the aforementioned model does not fit for Asian firms (Korea). As well as the study of Ruhani et al 2011 who evidenced the insignificance of the given models in the developing country of Bangladesh.

Findings and Conclusions

Discretionary or abnormal accruals are often used as a proxy for earnings management assessment. We evaluated ability of three measures derived from the models to evaluate the overall market discretion. Our results succeed to not to reject the influence of developing market environment and take particular care while specifying market-specific factors for the further research. While adjusted R square from ANOVA outputs has no important variation in identified sample, it is suggested that earnings management measure has no providence to evaluating taken discretion. Hence, the efficient perspective of earnings management is not acceptable in Georgian market.

Related statistical inferences:

- The first inference is that there are evidence that GSE listed companies are engaged in earnings management, which is accepted within the accounting standards' freedom of choice
- The second inference is that the common factors accruing for the reported earnings spoilage is not the common factors suggested by Jones and modified Jones model
- The third inference is that scaled Jones model shows contrary results to the hypothesized presumption, however, correcting the inhabited heterocedasticity improves model specification and finding of model insignificance becomes consistent with the given hypothesis
- The fourth finding is that modified Jones model produces the same statistical inferences as the previously tested scaled Jones model
- And finally, while Georgian capital market is neither developed nor efficient, therefore, the efficient earnings management approach is not confirmed and it can be concluded that earnings management in Georgia is followed by the pattern of opportunistically managing for private interest of management

Finally, the results showed that the businesses are engaged in earnings management but not by managing the in-model parameters that are viewed to have influence on the final assessment of the company, but rather in the practices that include more market-specific factors. Therefore the provided financial statements do not provide the information as expected by the external users, nor eliminate the information asymmetry employed by such practices.

IV. Recommendations

To investigate earnings management practices from the fraudulent perspective. Alternatively, further research should base on data that more closely measures earnings manage-

ment and comprehends developing country specifications in variable identification. Yet there are particular obstacles associated with data accessibility.

More research should be conducted in order to develop insights towards the guidance of Georgian companies in earnings management. In case such initiation is supported, regulatory bodies might work out the model that is customized under Georgian capital market environment and find them eligible to evaluate the appropriateness of the reported amounts with the real economic fundamental situation in those companies. Such behavior will not only represent the first steps taken in the direction that will enhance market integrity but rather contribute to the overall Georgian stock market popularization and investor trust in the long-run. In other words, the logical continuum from earnings management to fraud should be absorbed directly at the level of its initiation and such practices need to be guided by the models that have predicting power for out-of-sample data. The oversight enhancement practices can involve:

- More definitive auditing standards to effect a substantial change in auditors' performance and outsource particular earnings management detecting practices on behalf of audit companies. The reasoning behind the recommendation is following: auditors are first of the units being concerned with the financial statements. Their role is particularly important in qualifying the reported financial statements as absent of earnings management;
- Report requesting bodies (NBG and GSE) can double check by performing of substantive tests directed at the possibility of earnings management, including tests to identify the necessary internal controls as earnings management preventing means;
- Incorporating at the audit as well as report requesting body levels a surprise or unpredictability element in their earnings management detecting models and tests (for example, interviewing executives, inquiries of company personnel, overseeing legal personnel);
- Requests for written confirmations from company employees those responsible for representation of periodic financial reports to audit as well as report-requesting bodies. Such actions might increase responsibility of keeping books close to real economic activities of the company.

As already mentioned integrity of financial market is key to its development and since Georgia is in the state of its developing state it's important to work out on facilitators of steady course of development. More transparency in financial disclosures and more analysis of the available information will provide positive externality effect on investing society that currently resides in informational myopia.

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A Suggestion of Solution to the Financial Crises

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Abstract

Islamic finance and banking has been an appealing phenomenon in the recent decades particularly after its suggestion by the Vatican in the aftermath of the 2008 Global financial crisis. Rejecting interest policy as an instrument for any business activity, Islamic banking is based on the non-interest substitutions that are profit, rental, commission, and wage, all of which are regarded as legitimate earnings of trade, its kinds, leasing, joint venture and partnerships, and other lawful and real productive economic activities. From Islamic perspective, interest is a value that is transferred from one party to another without any matching value given back, resulting in an unequal distribution of income between individuals or groups. It takes place in loans and in the sale of goods for each other or in the exchanges of currencies for each other. The saying of the prophet Muhammed called "The Hadith or Saying of Six Things" concisely expresses 46 sales that bear interest out of 80 sales included in that saying. After dealing with that saying and defining the kinds of interest by making use of this saying, this paper tries to introduce some solutions to financial crises as a reply to the suggestion of the Vatican, and then it briefly introduces non-interest finance modes of banking and finance.

Keywords: Interest/usury/riba, Islamic finance and banking, trade, mudaraba, the Hadith of Six Things, time value of money (goods).

Introduction

An official Vatican Newspaper L'Osservatore Romano suggested Islamic Finance as a solution to the financial crises just after the 2008 global financial crisis hit. "The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service," the Vatican's official newspaper Osservatore Romano said in an article in its issue dated 3 March, 2009. The authors Loretta Napoleoni and Claudia Segre, said in the article that "Western banks could use tools such as the Islamic bonds, known as sukuk, as collateral."¹

Vatican offers Islamic finance, then what does Islamic finance offer?

I. Findings and Conclusions

To answer this question we had better first lend an ear to the saying of the Prophet Muhammad:

"You should sell gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt, like for like, equal for equal, and hand-to-hand; if the classes differ, then you may sell as you wish, provided that the exchange is hand-to-hand."²

Although this saying seems to be very simple and to be as if describing simple trade relationships in the VIIIth Cen-

tury Arabian markets, it is actually very comprehensive and includes vast meanings. With this concise saying, which is called "the Hadith of Six Things", the Prophet Muhammad expresses exactly 80 kinds of exchanges, which are,

the exchange of commodity for commodity,
or currency for currency,
on credit or on the spot,
and for matching (equal) or different quantities.

According to that Prophetic saying, out of these 80 kinds of exchanges, 46 sales bear a religiously forbidden "interest." (see the Table 1)

II. Interest: Definition and Kind

What is interest? From Islamic perspective, *Interest is a value that is transferred from one party to another without a matching value given back.*

Interest is sometimes "unearned income" in a zero-sum game³, in which the winner's gain is offset by the loser's loss and sometimes "unequally distributed income" in a positive sum game, a trade where both parties gain.

Thus, interest is, in any case, a wrong done to one of the two parties in loans or exchanges.

¹ Totaro, Lorenzo, "Vatican Says Islamic Finance May Help Western Banks in Crisis", <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aOsOLE8uiNOg>, accessed on 31 May, 2014.

² Muslim, Musakat, 81; Abu Davud, Buyu', 12.

TABLE: THE CASES OF INTEREST IN MONETARY AND GOODS CATEGORIES DERIVED FROM THE HADITH OF SIX THINGS FOR PROPHET MUHAMMAD

1/4 MONETARY CATEGORY			
GOLD			
100 gr	100 gr	ON SPOT	Permissible
100 gr	100 gr	DEFERRED	Interest
100 gr	101gr	ON SPOT	Interest
100 gr	101gr	DEFERRED	Interest
SILVER			
100 gr	100 gr	ON SPOT	Permissible
100 gr	100 gr	DEFERRED	Interest
100 gr	101 gr	ON SPOT	Interest
100 gr	101 gr	DEFERRED	Interest
GOLD and SILVER			
10 gr	500gr	ON SPOT	Permissible
10 gr	500gr	DEFERRED	Interest
10 gr	550 gr	ON SPOT	Permissible
10gr	550 gr	DEFERRED	Interest
SILVER and GOLD			
500 gr	10 gr	ON SPOT	Permissible
500 gr	10 gr	DEFERRED	Interest
500 gr	11 gr	ON SPOT	Permissible
500 gr	11 gr	DEFERRED	Interest

(2/4) MONETARY CATEGORY			
TURKISH LIRA for TURKISH LIRA			
100 TL	100 TL	On spot	Permissible
100 TL	100 TL	Deferred	Interest
100 TL	101 TL	On spot	Interest
100 TL	101 TL	Deferred	Interest
US DOLLARS for US DOLLARS			
100 \$	100\$	On spot	Permissible
100 \$	100\$	Deferred	Interest
100 \$	101\$	On spot	Interest
100 \$	101\$	Deferred	Interest
EURO for EURO			
100 €	100 €	On spot	Permissible
100 €	100 €	Deferred	Interest
100 €	101 €	On spot	Interest
100 €	101 €	Deferred	Interest
TL for US DOLLAR			
180 TL	100 \$	On spot	Permissible
180 TL	100 \$	Deferred	Interest
180 TL	101 \$	On spot	Permissible
180 TL	101 \$	Deferred	Interest
US DOLLAR and EURO			
130 \$	100 €	On spot	Permissible
130 \$	100 €	Deferred	Interest
130 \$	101 €	On spot	Permissible
130 \$	101 €	Deferred	Interest

CATEGORY OF GOODS

(3/4)

WHEAT for WHEAT			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100 Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Interest
100 Kg	101 Kg	Deferred	Interest
BARLEY for BARLEY			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100 Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Interest
100 Kg	101 Kg	Deferred	Interest
DATES for DATES			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100 Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Interest
100 Kg	101 Kg	Deferred	Interest
SALT for SALT			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100 Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Interest
100 Kg	101 Kg	Deferred	Interest
WHEAT for BARLEY			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100 Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Permissible
100 Kg	101 Kg	Deferred	Interest

CATEGORY OF GOODS (Continued)

(4/4)

WHEAT for BARLEY			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Permissible
100 Kg	101 Kg	Deferred	Interest
WHEAT for DATES			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Permissible
100 Kg	101 Kg	Deferred	Interest
WHEAT for SALT			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Permissible
100 Kg	101 Kg	Deferred	Interest
BARLEY for WHEAT			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Permissible
100 Kg	101 Kg	Deferred	Interest
BARLEY for DATES			
100 Kg	100 Kg	On spot	Permissible
100 Kg	100Kg	Deferred	Interest
100 Kg	101 Kg	On spot	Permissible
100 Kg	101 Kg	Deferred	Interest

CATEGORY OF GOODS (continued)			
BARLEY for SALT			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 Kg	DEFERRED	Interest
DATES for WHEAT			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 Kg	DEFERRED	Interest
DATES for BARLEY			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 Kg	DEFERRED	Interest
DATES for SALT			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 Kg	DEFERRED	Interest
SALT for WHEAT			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 Kg	DEFERRED	Interest
SALT for DATES			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 Kg	DEFERRED	Interest
SALT for BARLEY			
100 Kg	100 Kg	ON SPOT	Permissable
100 Kg	100 Kg	DEFERRED	Interest
100 Kg	101 Kg	ON SPOT	Permissable
100 Kg	101 gr	DEFERRED	Interest

That is why it is condemned by all religions and criticized by most philosophers.

From the Islamic perspective, interest is interchangeable with riba or usury. We can define it as follows

“Interest is an actual or potential excess or surplus without a returning equivalent not only in loans -whatever the interest rate is- but also in the exchanges of goods and currencies.”

There are two kinds of interest: “Interest on debt or loan”, and “Interest on exchange”.

II.1 Interest on debt or loan

Interest on debt or loan appears in loans as a percentage

or as a fixed payment added to the principal. It is the most widespread kind of interest.

It unavoidably causes an injustice either to the borrower or to the lender since it is based on an uncertain outcome.

When a borrower does not earn enough to pay the fixed rate, interest on debt causes harm to the borrower; then, it can be described as an “unearned income.”

When a borrower earns unexpectedly high income thanks to a loan, interest on debt causes harm this time to the lender; then that earning turns into an “unequally distributed income.”

Hence, there is no difference between a 1 percent interest rate or 100 percent rate of interest in terms of injustice it causes.

³ Zero sum game is a mathematical representation of a situation in which winners' gains are offset by losers' losses (ending with a net change of zero).

This is because any high interest rate may be an injustice to a borrower in unfavorable economic conditions and any low rate, which is mostly favored and encouraged, may be an injustice to lenders.

Then, the most important reason for interest to be forbidden by Islam and the only reason the Qur'an particularly mentions thereabout can be stated as following:

"Interest is prohibited due to the fact that either the borrower or the lender would absolutely and inevitably be subjected to an injustice in any case, for its rate is fixed at the very beginning, although it is impossible to predict the outcome, profit or loss, or how much either would be.

*"If you persist in interest" says the Qur'an, "Either you will wrong, or you will be wronged."*⁴

Thus, it is clear that Qur'an identifies interest with injustice. It is never possible for mankind to find a fair interest rate for any time and for any sector of the economy since man can not see the future outcome of the business, thus there will be a "deviation" –that hurts either the borrower or the lender– between the "initially determined interest rate" and "finally realized outcome", whereby causing an injustice to either borrower or the lender.⁵

II.2 Interest on exchanges

As for the interest on exchanges, it occurs on the exchange of goods and the exchange of currencies, on spot or on credit/deferred.

The interest on exchange is well defined in summary by Prophet Muhammad's abovegiven saying.

This concise saying is so comprehensive that it even includes the "interest on debt" that occurs on loans in addition to the interest on exchanges.

In this prophetic saying, gold and silver represent all currencies and financial instruments, and four other commodities stand for all standardized goods.

Based on this saying, besides the interest on debt or loan known to all, the Prophet Muhammad introduced interest on exchanges, which occurs in all deferred-exchanges of goods for goods and in all deferred-exchanges of currencies for currencies.

Time or delay is pointed to by the Prophet as the primary reason for interest, that is, value differentiation between two exchanged items thereby a value transfer from one party to the other.

"Interest on exchange" makes the Islamic approach to interest original and distinctive.

II.3 Only one permissible exception to on-credit exchanges

There is only one permissible exception to on-credit (de-

ferred) exchanges: That is the sale of goods for money or money for goods, as we buy some goods on credit for delayed monetary payment or sometimes we pay money today and the delivery of goods is made at a future date.

That permission meets the need of people who have not ready purchasing power for pressing daily needs.

II.4 All the futures on financial instruments include interest, so are banned

Futures are the agreements to deliver or accept delivery of standardized goods on a specific date at a pre-determined price. The difference between futures and forwards is that futures are traded via an organized exchange market whereas forwards are traded over-the-counter, that is, a forward is not traded on an exchange and thus does not have the interim partial payments nor is the contract standardized, as on the exchange.⁶

Futures market may bear a risk that the price agreed upon today (the futures price) and the price of the specified future date may differ so that either the seller or the buyer loses.

Futures contracts are applied to two categories of assets: financial instruments and physical assets. Financial instruments include both cash and derivative instruments such as currencies, money market deposits, bonds, shares/equities, financial markets indexes, interest-sensitive instruments such as benchmark bonds, bankers acceptances notes and treasury bills.

Physical assets are commodities such as farm products and all the basic industrial metals. Futures contracts on commodities are permissible due to the need of people who have not ready purchasing power for pressing daily needs, as mentioned above.

More importantly, commodities have an intrinsic use value; thus, time value of commodities can be measured and calculated while time value of money or financial instruments can not be measured. Because, they do not have any intrinsic value.

The problem is concerning the financial instruments with nominal values. The Prophetic hadith of six things suggests that,

all the futures contracts on financial assets such as forward rate agreements, and trade of financial derivatives for money or for each other at any price other than face/nominal value without corresponding to any real value increase in the underlying real assets on which derivatives are based, also include interest.

This is because all financial instruments have not any intrinsic use value. In other words, financial instruments do not have any time value.

For example selling €100 for a delayed \$130 includes interest; since there is a difference between the current and future rates of exchange in that transaction, resulting in an

⁴ Qur'an, Baqara, 279.

⁵ See, Özsoy, İsmail, Faiz ve Problemleri, Nil Yayınları, İzmir 1993, s. 46; Özsoy, İsmail, "Kredi Faizi: Kur'an'a Göre Bir Değerlendirme" İslâmî Sosyal Bilimler Dergisi, Vol: 2, No: 3, İstanbul, Güz 1415/1994, pp. 31-41.

⁶ Wikipedia contributors. "Futures contract." *Wikipedia, The Free Encyclopedia*, http://en.wikipedia.org/w/index.php?title=Futures_contract&oldid=610156897 (accessed June 1, 2014).

unproduced value -or income- transfer from one party to another, being a zero-sum game.

Another example is the exchange of a certain amount of oil for a certain amount of cotton on credit/deferred.

Similarly, the exchange of loan-for-loan with different quantities or with different interest rates gives way to interest, as with the derivatives so widespread in developed countries, in the US particularly.

The exception to this case is a “swap” wherein two loans of the same quantity and of the same term are traded.

Or two in-kind debts can be settled at the exchange rate of the transaction day.

III. The 2008 Financial Crisis

A more concrete example for the burst of the financial bubble that resulted in the 2008 financial crisis is, the sale of financial certificates with different interest rates and different times for each other.

For example, the sale or the loan of \$100 for \$105 for one year time bears a value transfer of 5 dollars from one party to the other.

Another example, the sale of a financial certificate of \$100 with a 5% rate of interest and for one year period in return for another certificate of \$100 with a 10% rate of interest and for two years time bears a value transfer from one party to another by the size of the interest rate.

Thus, a financial bubble begins to arise if the nominal increase in the value of the financial certificate due to interest payment is not balanced with a real value increase in the underlying assets such as houses.

As known, houses have been the most frequently used as underlying assets upon which the financial certificates or derivatives are based on in the US and other countries.

If the bubble in the financial sector and the rise in the house prices go hand in hand, it is a sustainable process with rising prices.

But, if the bubble grows much higher than prices, or the prices of houses go down as the bubble grows, the gap can not be sustainable and the financial burst is unavoidable; that is CRISIS.

III.1 Trade and Interest

Then, what is the difference between *trade* and *interest*?

There are two stages in a mortgage transaction. The first one is a trade that is the sale of a house to a client. The second and consequent stages are simply interest bearing and bubble building processes.

As a basic real economic activity, *trade is the process of purchase and sale that increases “location value”, “ownership value” or “time value” of a commodity.* It is done with the intention of making a profit.

Goods have “an intrinsic use value”, and that value may change, rises or fall, as goods change hands, location and time, resulting in a profit or a loss

Trade of a commodity is three ways. First is changing

hands of a commodity. That is the transfer of a commodity from one person who has less demand for it to the one who has more. When you buy a commodity from its producer and sell it to consumers, it is increasing the ‘ownership value’ of goods.

Second is the transfer of a commodity from a place where they are abundantly available to another place where they are scarce. When you buy orange for TL 1 per kilo in Antalya and sell it for TL 1.5 in İstanbul, it is increasing the ‘location value of goods’ because it is more valuable in İstanbul.

Third is providing a consumer without enough purchasing power with goods that the client demands, by buying them cheap on cash and selling to the client on credit with an extra price.

So, trade is “increasing the time value of a commodity” when a house is bought by the bank on the spot, say for \$100,000, and it is sold on credit to a client, say for \$110,000, who otherwise could only buy it months or years later with his regular savings.

Thanks to this transaction, the client begins to benefit from the house immediately.

The client’s additional payment of \$ 10,000 makes up bank’s profit, and it is in return for the real increase in the time value of the house. That really increased time value is received by client due to being able to begin utilizing the house right away in addition to time-long utilization until the payment process ends.

In other words, that payment is in return for real time value of house by having it right now. Thus, it is not an interest. It is a trade profit. Then, what is interest?

III.2 Interest and bubble building process

The trade of currencies does not produce any value. They are of the same value with different hands, at different locations, and in the different times. So are the financial instruments. Because they do not have any use value that may change by hands, locations or times.

Thus, the exchange of currencies, that is changing hands of money, transferring money from one place to another or from a future time to the present time do not change the nominal value of those currencies or securities.

One dolar is one dolar anywhere, with any hand and any time. The nominal value of any currency does not change by hands, locations or times. The same applies to all financial instruments.

Then, any gain received from such a transaction is not derived from any produced economic value but from a zero-sum game. Therefore, such a gain is called interest in Islamic finance.

Therefore, when receivables are not kept in the vaults of the bank, and when they are sold to a mortgage firm at a discount, there begins the process of interest and bubble building. As in the abovegiven example, the sale of a financial certificate of \$100 with a 5% rate of interest and for one year period in return for another certificate of \$100 with a 10% rate of interest and for two years time bears a value transfer from one party to another by the size of the interest rate.

Because mortgage firms sell these receivables in derivatives markets at higher prices for longer terms and interest

rates by slicing them into small pieces.

To prevent the process of creating financial bubbles, it is necessary:

- *to avoid all delayed sales of the financial instrument*
- *and keep them in the vaults of the bank until they are paid by the clients ,*
- *If financial instruments with different interest rates and times are to be exchanged for each other, the transaction must be done at face value.*
- *Different financial instruments can be exchanged for each other at any price if the transaction is done on spot. That applies to the sale of financial instruments for money provided it is done on spot.*

These are the suggestion of solution that we derive from the hadith of Prophet Muhammad.

III.3 Is interest policy responsible for the 2008 global financial crisis?

We can definitely answer “Yes” when looking at the matter from an Islamic perspective.

Because Islamic perspective has a very precise definition and description of interest and its kinds, particularly with the kind of interest of exchange.

Since interest is a process of a value or income transfer from one party to another without any comparable matching, interest-bearing transactions result in financial and economic imbalances between individuals, social groups, factors of production as well as nations in a process of lending or exchanges.

These imbalances appear eventually as bubbles and crises in the financial markets when they cannot be sustained.

IV. Interest Free Finance and Banking

The alternatives to interest-bearing transactions are many kinds of trade, partnership and leasing. These are mainly, *mudaraba*, *musharaka*, *murabaha*, *bai muajjal* (deferred sale), *salam*, *istisna'* and *ijara* (leasing), each yielding income of profit or rental fee instead of interest.

They are called Islamic finance methods. We can shortly introduce them as follows:

Mudaraba (profit and loss sharing) is a partnership where one party provides the funds while the other provides expertise and management.

Any profit is shared between the two parties on a pre-agreed ratio, while loss is borne by the capital provider.

Musharaka is a joint venture or equity participation between two (or more) parties to contribute to a particular investment enterprise, where profit is shared in accordance with the agreement between the parties, and loss is shared

in proportion to relative shares of capital.

Here, the bank provides funds, which are mixed with the funds of the business enterprise, and others.

All providers of capital are entitled to participate in management, but not necessarily required to do so.

The profit is distributed among the partners in pre-agreed ratios of the actual positive outcome, while the loss is borne by each partner strictly in proportion to respective capital contributions.

In *musharaka* or in *mudaraba*, what makes profit permissible is that it is a ratio of the realized positive outcome at the end of the business, not the rate of return on the loan itself.

Murabaha, which is the most widespread mode, is the sale of a commodity by a bank to a client on mutually agreed profit.

In a *murabaha* transaction, the bank finances the purchase of a good or asset by buying it on behalf of its client and adding a mark-up before reselling it to the client on a 'cost-plus' or 'mark-up' basis.

What makes the *murabaha* transaction legitimate is that the bank first acquires the asset and in the process it assumes certain risks between purchase and resale.

The bank takes responsibility for the goods before they are safely delivered to the client. The services rendered by the Islamic bank are therefore regarded as quite different from those of a conventional bank that simply lends money to the client to buy the good.

Bai muajjal is a credit sale of goods where a bank purchases a commodity on behalf of a client and then sells it to the client at a profit. The payment of sale price is deferred for a fixed period and may be made in installments

Salam is a pre-paid purchase of goods in order to finance production by Islamic banks. Here the price of a future standard commodity is paid at the time of the contract, delivery taking place at a future date.

This mode enables entrepreneurs to sell their output to the bank at a lower price in advance, thus having a ready purchasing power for pressing needs. The bank then orders the producer to sell output to usual client on its behalf.

Istisna'a, similar *salam*, is a contractual agreement for manufacturing nonstandard goods and commodities, allowing cash payment in advance and future delivery.

It can be used for providing the facility of financing the manufacture or construction of houses, plants, projects, and building of bridges, roads, and highways.

Ijara is an arrangement of leasing equipment, buildings or other durable assets to a client in return for initially agreed rental fee.

Under this mode, Islamic banks buy the equipment or machinery and lease it out to their clients who may opt to buy the items eventually, in which case the monthly payments will consist of two components, i.e., rental for the use of the

⁷ as in Turkey during the 2008 financial crisis, which protected the country far from the damage of the crisis. That is why Turkey was not affected by the global financial crisis. Yet Turkey was subjected to downgrading by Standard and Poor's and Moody's for not having a local derivatives market before the crisis, but later was admired for being the least affected from the crisis.

equipment and installment towards the purchase price.

IV.1 Real Economy

While loans of traditional banks do not necessarily enter the real economy, each monetary or financial transaction in the Islamic finance and banking system inevitably corresponds to a real economic activity. That economic activity is either the production of a commodity or service, or their trade. And any revenue earned is shared on profit and loss sharing basis.

The effect of this vital principle is a real economy without any bubble and fair distribution of income among the factors of production.

In Islamic economics, interest income is substituted with profit, rental, commission, and wage, all of which are regarded as legitimate earnings of trade, its derivatives, joint venture and partnerships, leasing, and other lawful and real economic activities.

What makes profit and rental legitimate

Profit accrues to monetary capital in a real economic activity on condition that it contributes to social revenue and in proportion to its contribution.

As for rental, it accrues to durable capital as an initially determined income since the productivity of durable capital is direct and certain.

Thus rental is a fixed income that is based on certain and fixed productivity .

In profit and rental, there is a balance between income and productivity, hence a balance between income and contribution to social revenue.

Why interest is illegitimate? Interest accrues on loanable funds even when there is no contribution to national revenue thereby; and when there is contribution it is not necessarily as much as is earned.

It is almost impossible to balance between interest income and productivity of monetary capital. This is because interest is an initially fixed income based on uncertainties, thereby resulting in unequal distribution of income and macroeconomic instabilities.

While there is no "give and take" balance in interest income, there is an established "give and take" balance in profit and rental, including wage and commission

The crisis-preventive nature of interest-free modes of finance contributes to economic stability and common welfare.

IV.2 Islamic Banking: A Bridge between the Western and Muslim societies

Islamic banking can be a bridge between Western communities and Muslim societies, thereby contributing to world peace as well as to the common welfare.

The roots of this cooperation are available in the common origins of the Jewish, Christian and Islamic traditions that prohibit interest.

Having resisted interest for 1,500 years, longer than the lifetime of Islam, the Vatican accomplished a historic feat by suggesting the Islamic finance and banking system to the

current Western financial world.

This step can be regarded as the beginning of a new age when the whole of mankind can expect a better future in terms of peace and socio-economic welfare for all.

Conclusion and Suggestion

Trade of goods produce an economic value but trade of currencies or of financial instruments do not. Thus any income received through the exchange of goods is a real economic earning and it is the result of a positive-sum game. That economic activity is called trade and income is called profit. But any income made through the exchange of currencies or of financial securities or derivatives without linking them to any movement of goods is a virtual one, which is the result of a zero-sum game. That income is called interest.

Trade of goods is three ways. First is changing hands of goods. That is the transfer of a goods from one person who has less demand to the one who has more demand for the goods. Second is the transfer of goods from a place where they are abundantly available to another place where they are scarce. Third is providing a consumer without enough purchasing power with goods that the client demands, by buying them on cash and selling to the client on credit with an extra price.

For short, financial transactions linked to the movements of goods produce profit, and they are called trade. Financial transactions not related to movement of goods do not produce any economic value, so it is called interest since it is not anything other than the transfer of already available economic value from one party to another.

Prophet Muhammad's "Hadith of Six Things" concisely and extraordinarily expresses all kinds of interest bearing transactions in two sentences. It states forty six interest bearing transaction out of eighty sales.

Based on that Hadith, in order to avoid any bubble building process and financial crisis, it is necesar ,

- *to avoid all delayed sales of the financial instrument*
- *and keep them (e.i. mortgage recevables) in the vaults of the bank until they are paid by the clients,*
- *Financial instruments of the same kind but with different interest rates and times should be exchanged for each other at face value and on spot as the exchange of gold for gold in the Hadith.*
- *Different financial instruments can be exchanged for each other at any price if the transaction is on spot. That applies to the sale of financial instruments for money provided it is on spot.*

Moreover, financial transactions should be scrutinized in terms of Islamic view of interest whether or not they bear any value transfer from one party to another without any matching and any interest bearing tarnsactions be limited to the minimum.

As a last word, we had better say that economists and finance authorities should not wait for a second call from the Vatican to take the switch to Islamic finance and banking.

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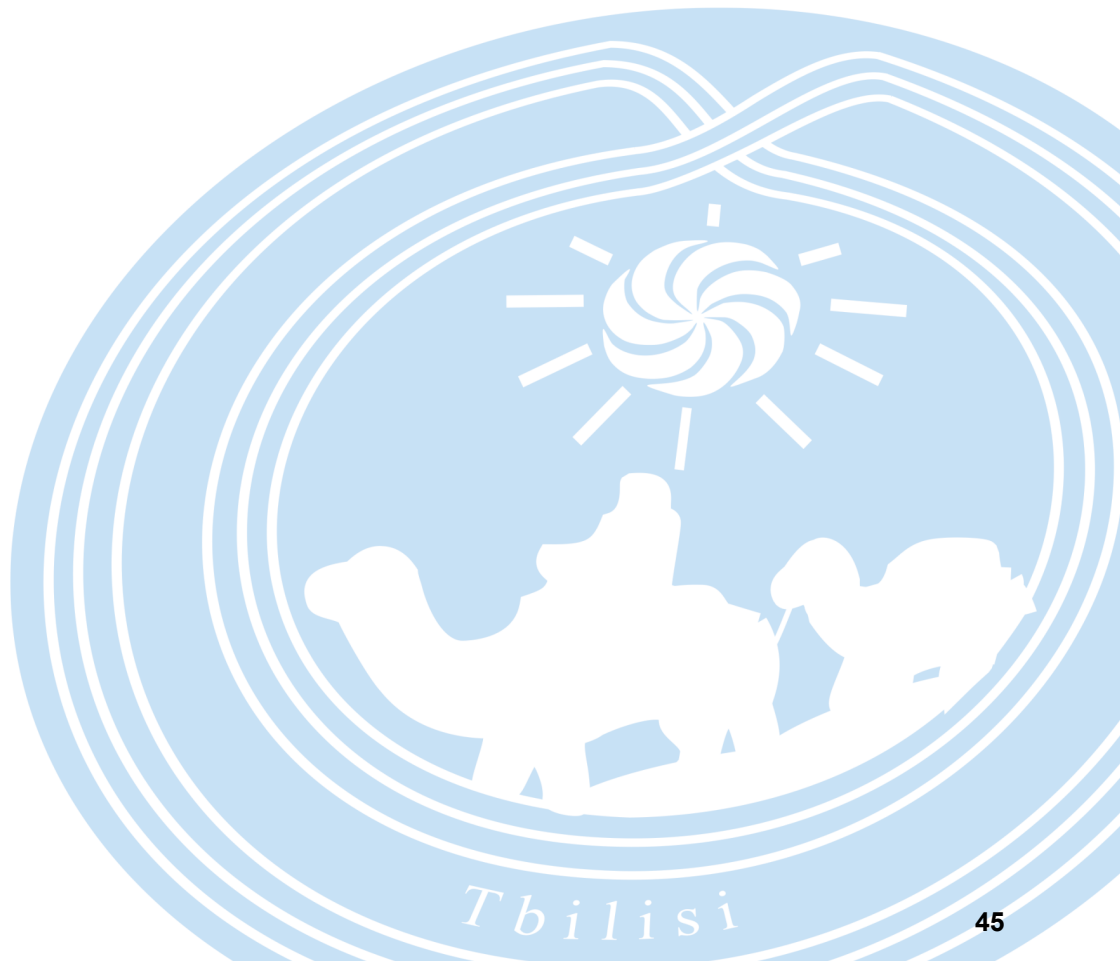
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Comparative Analysis of Depositors' and Prospective Depositors' Behavior in Countries with and without Deposit Insurance System

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Abstract

The stability and growth of banking system is primarily affected by the behavior of depositors and prospective depositors, which itself is generally determined by the level of confidence they have toward banking institutions. The paper compares behavior of population in times of both economic stability and financial crisis in countries with and without deposit insurance system in place. The aim of comparison is to find out the effectiveness of the system in attracting new depositors and sustaining deposits through keeping people confident by promising the reimbursement in cases of bank failure. The study reveals not only the immediate impact of crisis over withdrawals by insured and noninsured depositors, but the recovery time period as well.

Keywords: deposit insurance, depositors' behavior, retail deposits per capita, retail deposits as percent of GDP

Introduction

Deposit Insurance System (DIS) is the mechanism of protecting depositors through reimbursing them in cases of bank failure. Due to this particular goal of social protection the system is believed to promote banking system stability and to boost economic growth through enhancing confidence of people toward banking institutions. However, the economists often argue about positive effect of deposit insurance system over the banking environment. Although, it is fact that banking stability and the economic growth is largely determined by the confidence level and relevant behaviour of depositors. Therefore, observation of population behaviour in times of economic stability and global financial crisis in countries with and without deposit insurance system enables comparison and examination of the above mentioned impact of the system. In other words, the observation checks the ability of the system to attract deposits in times of economic stability and to keep existing depositors confident in times of financial crisis

Thus, the paper aims to find out whether DIS is having an effect over the behaviour of population or not. Subsequently, following research question was shaped: is deposit insurance system affecting the behaviour of depositors and prospective depositors? For this purpose their behaviour during both economic stability and financial crisis has been observed in countries with and without deposit insurance system in place. Behaviour of depositors or prospective depositors and the confidence of people toward banking institutions can be measured by the value of deposits attracted by commercial banks in times of economic stability and by the ability of banking institutions to sustain the value of deposits during financial crisis. Therefore, the value of deposits during economic stability and global financial crisis are used for observation in countries with and without deposit insurance system.

Two key determinants of depositors and prospective depositors' behavior are economic welfare of a country and the

level of confidence they have toward banking institutions. Economic welfare define the financial capability of population to save, but the confidence level of depositors determine the willingness of population to deposit their savings. The latter is a central determinant of population behaviour as without confidence people refuse to save even with the capability to save. The economic indicators used by the study to determine economic development and hence to measure the financial capability of population to save in a particular country is GDP per capita. To check the desire of population to save despite the level of economic development, the retail deposits per capita and retail deposits as a percent of GDP in the same countries were observed. To check the level of confidence of depositors and prospective depositors toward banking institutions the paper compares the volume of deposits in the banking institutions during economic stability and 2008/09 financial crisis in 10 countries with and without deposit insurance system. If despite economic development (level of GDP per capita) or even rate of interest offered to depositors, people still deposit more in countries with deposit insurance system than higher confidence of population toward banking institution can be to some extent explained by presence of DIS.

I. Literature Review on the Effect of DIS over the Behaviour of Depositors

Saving Behavior Assessment Survey in Georgia prepared for Savings Banks Foundation for International Cooperation by ACT Research in 2011 prove the income level of population to have significant statistical effect over the decision of people to save or not. The results are summed up as follows: an individual whose family income exceeds 700 GEL is 2.9 times more likely to be saving money than an individual whose family income falls short of 700 GEL. A saver whose income has increased over the past year is 11.3 times more likely to be saving money in a bank than a saver whose income has remained the same or decreased over the past

year. Another important finding of the same research refers to the bank selection criteria. According to it two of the most important bank selection criteria when making a deposit are reliability of a bank/trust toward a bank (29%) and high interest on deposits (23%). The reliability factor is particularly important in Tbilisi, where 40% of the capital's population names it the crucial factor when selecting a bank for depositing money. At the same time the interest rate factor is of much less importance in Tbilisi than in other cities or villages (12%, as compared to 30% and 26%, respectively) (ACT Research, 2011).

The same relationship is observed by different studies. According to Fraczek (2011) the level of savings depends on various factors such as income, interest rates, fiscal factors, demographics factors as well as psychological, cultural and social factors. Different factors play different roles in the decision to save, but income is an important determinant of the capacity to save (Fraczek, 2011). The findings of the study by Gaire (2011) also showed that there is a relationship between average real interest rate and saving behaviour, or there is a strong positive correlation between these two variables (Hom Nath Gaire, 2011). Therefore, the economic indicators used by the paper in the process of observation and analysis are economic development of countries under the study, determined by GDP per capita of these countries and interest rates there, in opposition to the retail deposits per capita and the retail deposits as percent of GDP.

II. Research Methods and Sample Selection

Secondary data analysis was employed by the study as a research method. The data provided by the central banks of countries under the study through their annual reports was collected and analysed.

Countries under the study are: countries without deposit insurance system – Georgia, Iran, Iraq, Pakistan, Angola and Ghana; and countries with deposit insurance system – Moldova, Ukraine, Belarus and Kazakhstan.

The countries were selected after observing the level

of their economic development. The indicator of economic development was chosen to be GDP per capita. Countries with and without deposit insurance system with different level of GDP per capita were selected to enable comparison. At the same time countries with deposit insurance system were selected from the former soviet area. The logic behind this selection was similar pessimistic attitude of population toward banking institutions due to same past experience of losing savings by depositors after the collapse of Soviet Union. If the observations show higher level of confidence of people toward banks in these countries despite economic development or interest rates offered there, the role of DIS in promoting the level of confidence once again can be considered and assumed.

III. Data Analysis

Countries under the study had following economic development during global financial crisis in 2008 (Figure 1)

One of the economic indicators employed for observation by the paper to check the confidence level of population in each country under the study is retail deposits as percent of GDP. Retail deposits as percent of GDP during 5 years in Georgia is compared to the same indicator in countries where the system is already imposed. The observations show that Georgia has the lowest percent of retail deposit in GDP among these countries throughout all five years (table 1). It is noteworthy that even countries with less GDP per capita have higher percent of retail deposits in GDP. GDP per capita in Moldova is much less than in Georgia, and GDP per capita in Ukraine is slightly more than GDP per capita in Georgia. However, in both countries retail deposits as percent of GDP is higher than in Georgia; in Ukraine it is twice as high and even more, although, there is not considerable difference in GDP per capita between Georgia and Ukraine. In Moldova the percent of retail deposits in GDP in most of the cases throughout given five years is almost three times as high as in Georgia. It means that the financial capability of population to save in Moldova seems to be much less than in Georgia still people deposit more in Moldova than in Georgia. It is logical to presume that the willingness of population

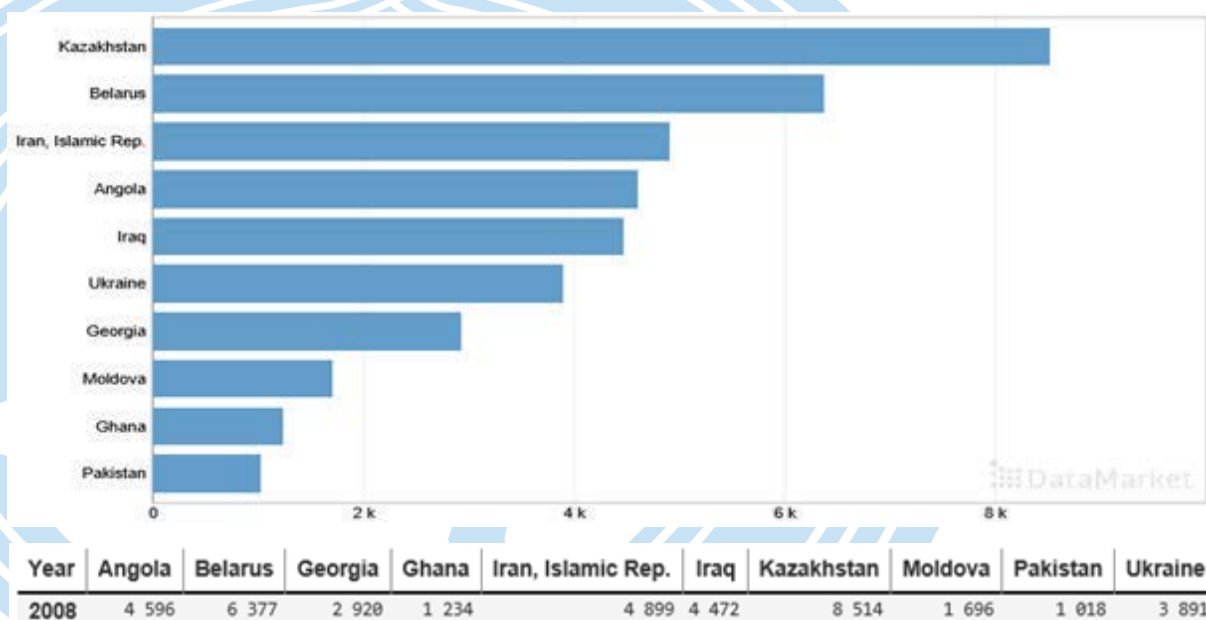


Figure 1: GDP per capita (in USD), 2008
Source: www.datamarket.com

to save in Moldova is caused by having the mechanism of protecting depositors or having the deposit insurance system imposed.

Another indicator used for observation to check the attitude of people toward banking institutions in Georgia and in other post-soviet states with deposit insurance system is retail deposits per capita. The results of observation are the same. Georgia has again the lowest value of retail deposits per capita throughout all five years (table 2). Moldova which has much less GDP per capita is again observed to have twice as much and even more retail deposit per capita as in Georgia.

Obviously the confidence of people toward banking institutions is not the only determinant of population behavior when deciding to deposit savings or not. Another key determinant, as mentioned before, is interest paid to depositors. Very often the rate of interest is even critical point in the process of decision making. However, the observation shows that all countries under the study offer relatively same interest rates to depositors (table 3).

The logical explanation to very weak correlation be-

tween interest rate offered by banking institutions in countries under the study and the volume of deposits can be found. In developing countries, like Georgia, giving no big choice to people where to invest, depositing their savings is almost the only alternative offered by the market. There are no financial markets developed so that to think of different alternatives of investment. Therefore, whatever the rate of interest is offered by banking institutions people agree to deposit if other factors discussed by the paper before (confidence level) are not considered by them as the final determinant of their decision whether to deposit or not. Consequently, based on this analysis and observations the impact of interest rate can be excluded from the factors affecting behavior of prospective depositors when deciding to deposit their savings or not.

To check the confidence level of existing depositors toward banking institutions in countries with and without deposit insurance system, their behavior in times of 2008/09 global financial crisis was compared. Table 4 illustrates the value of deposits in countries without deposit insurance system during three years before the crisis, during financial crisis in 2008/09 and after the crisis in 2010. Table 5 provides the same data but in countries with deposit insurance sys-

Table 1. Retail deposits (as % of GDP)

Country	Unit	2008	2009	2010	2011	2012
Georgia	%	7.58	10.8	12.2	12.5	
Kazakhstan	%	9.13	11.1	10.1	9.76	11.4
Belarus	%	9.92	12.9	13.9	10.6	14.4
Ukraine	%	15.2	23.0	25.5	23.7	26.2
Moldova	%	27.5	25.0	26.2	25.2	29.0

Table 2. Retail deposits per capita (in USD)

Country	Unit	2008	2009	2010	2011	2012
Belarus	USD	633	668	806	619	973
Georgia	USD	221	263	318	401	
Kazakhstan	USD	777	793	912	1 108	1 348
Moldova	USD	466	381	427	495	592
Ukraine	USD	590	585	759	856	1 017

Table 3. Interest rate on bank deposits

Country	Unit	2008	2009	2010	2011
Belarus	%	8.53	10.7	9.09	13.3
Georgia	%	10.4	10.3	9.21	9.49
Moldova	%	17.9	14.9	7.67	7.57
Ukraine	%	9.95	13.8	10.6	7.90

Source: www.helgilibrary.com

tem. According to the observation depositors in all countries under the study showed to have pessimistic attitude toward banking institutions if their savings are not insured. All countries without DIS under the study (except Iraq) faced considerable reduction of the value of deposits during financial crisis in 2008/09, although, before the crisis deposits grew constantly in all countries observed (table 4).

Depositors demonstrated higher level of confidence and more optimistic attitude toward banking institutions when their deposits are insured. In two of the countries (Belarus and Kazakhstan) under the study with deposit insurance system the value of deposits continued to increase even in times of global financial crisis in 2008/09. Moldova and Ukraine still faced reduction of the value of deposits in 2009 (table 5). However, the situation has been recovered right after one of the element of the system, coverage limit, was employed by the government in countries where the system is already imposed (Khundadze, 2013).

It means that countries with deposit insurance system have better mechanism of recovering from crisis and one more tool of protecting banking system from panic runs.

Conclusions

Based on the analysis above effect of deposit insurance system over the depositors' behavior can be concluded. Arguments supporting the conclusion can be summarized as follows:

1. Retail deposits per capita in countries with deposit insurance system are bigger in value than in countries without deposit insurance system despite their economic development.
2. Retail deposits as percent of GDP is again higher in countries with deposit insurance system than in countries without the system despite their economic development.
3. The determinant of economic development was GDP per capita defining financial capability of population in particular countries to save. If the value of savings deposited by population depends only on their capability to save then countries with high GDP per capita should logically have

Table 4. The value of deposits in countries without DIS (2005-10)

Country	Unit	Year-end Balances					
		2005	2006	2007	2008	2009	2010
Ghana	Gh¢' Bil	11.356	12.993	19.777	16.199	28.957	33.167
Pakistan	Rupees' Bil	34.3	51.2	52.2	66.7	27.4	25.8
Angola	Kz' Bil			622.442	1	839.600	1
					197.398		266.153
Iran	Rials' Bil	267	353	455 798	367	409383.1	533561.3
		243	093		718.3		
Iraq	Id' Bil	4 108	6 681	10 598	14 700	21 751	34 263
Georgia	Gel'000	81 907	167	344	306 050	295	426 123
			765	792		279.2	

Table 5. The value of deposits in countries with DIS (2007-10)

Country	Unit	Year-end Balances			
		2007	2008	2009	2010
Belarus	BYR bil	7 818.6	13 261	18 152	22 955
Kazakhstan	KZT bil	1 020.0	1 473	1 893	2 195
Moldova	MDL bil	12.7	17.2	16.6	19.5
Ukraine	UAH bil	167.2	217.9	216	277

Source: the tables is prepared based on the information from annual reports of respective years published by the central banks of respective countries, see the reference.

higher value of deposits and the opposite. The observations showed that GDP per capita is not the only determinant of decision of population about depositing the savings, but the safety of their deposits also matter as countries with deposit insurance system but much less GDP per capita (Moldova) are having considerably high value of individual deposits, or retail deposits per capita and retail deposits as percent of GDP, compared to countries without deposit insurance system but higher GDP per capita (Georgia).

4. Another key determinant of population behavior or interest rates, believed to be key incentive and motivator for the population to deposit were also observed to exclude its effect over the value of deposits. Therefore, the bigger value of retail deposits per capita or higher percent of retail deposits in GDP in countries with deposit insurance system, but with lower GDP per capita can be due to high interest paid to depositors in these countries and not due to deposit insurance system. As the observations showed the rates in Moldova or Ukraine are not higher than in Georgia or in other countries without deposit insurance system. All countries under the study either with or without DIS offer similar rate of interest on average.

5. During financial crisis more intensive withdrawals were observed in countries without deposit insurance system. Some of the countries under the study with DIS, like Belarus and Kazakhstan did not experience massive panic runs, just the opposite, individual deposits on average continued to increase in 2008 and 2009. Retail deposits in Moldova and Ukraine could not sustain the same value, but did not considerably decrease in 2009 when countries under the study without DIS experienced severe deposit outflows during financial crisis

Thus, the behavior of depositors and prospective depositors showed to be affected by deposit insurance system, as GDP per capita, or interest rates offered by particular countries with and without DIS was not observed to have always the same impact over the values of deposits (defined in the study by retail deposits per capita, retail deposits as percent of GDP) attracted by banking institutions of those countries. Meaning that not only financial capability to save or interest paid to depositors motivate people to deposit, but the safety of their savings ensured by DIS as well. Therefore, the role of DIS in the decision making process of people to deposit savings or not and to keep their savings in banking institutions even in times of economic instability can be considered. Depositors and prospective depositors probably make decision after assessing and considering the presence of the mechanism of protecting their savings.

The additional consideration is the recovery period and the ease of recovery from panic. Countries under the study with deposit insurance system imposed higher coverage limit to stop the run to banking institutions. As the observations show right after this amendment the value of deposits stopped to decrease. Therefore, it can be concluded that deposit insurance system provide countries with additional tool of protecting banking system from panic withdrawals.

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Foreign Direct Investment (FDI) Inflow in Georgia

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Abstract

The article focuses on the role of FDI in Georgia's economic development for the last decade. FDI trend is one of the best indicators of country's economic sustainability and its attractiveness. Especially for small and/or developing countries, the amount of FDI matters, therefore most of such countries are trying to compete with each other through improving their investment climate according to different world famous indexes.

As a result of impressive reforms since 2003, Georgian economy was benefited with large invasion of FDI, however the level of per capita GDP is still low in comparison to Eastern European countries and it should be improved. The main idea of the paper is to show a real linkage between FDI and employment ration, on the case of Georgian economy.

Attracting FDI to Georgia is an issue of major importance nowadays. Georgia is not short of local dynamos of economic enlargement that could potentially catch the attention of investors; however, the small efforts done for the promotion of local savings to transform it to the investments is hinder the economic development of the country.

Despite the tremendous experience gained by FDI beneficiaries, the most significant points: 1. to attach investment policy to an overall development plan in a way to guarantee the sustainable development and 2. to ensure investment policy relevance and effectiveness for building stronger institutions – most often are neglected. In the majority of cases, the greed for increasing the amount of investment is dominant and calculation of future long-term outcomes is not taken in to a consideration.

Keywords: FDI, Georgia, economic development, sustainability, employment

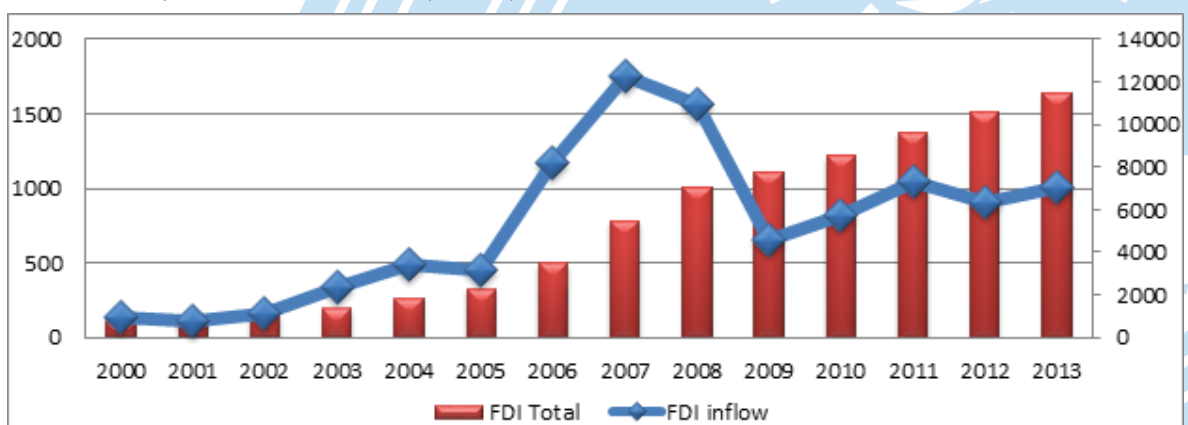
Introduction

Foreign direct investment plays vital role in global business. It provides firms with new markets and advertising channels, cheaper production facilities, admission to new technology,

products, skills and financing. FDI can provide a recipient country/company with a source of new technologies, capi-

tal, practice, products, management skills, and as such can be a powerful drive for economic development (Graham and Spaulding, 2005). It is one of the key elements of stable economic development in many countries, especially in developing ones. Therefore the size of FDI inflow is one of the most crucial factors for economic perfection in small economy countries, while most of developed ones are net

Table 1. The value of deposits in countries with DIS (2007-10)



Source: Done by author based on GEOSTAT data

exporters of FDI.

Since 1996 (first FDI inflow detected in Georgia from Ukraine – \$4 mln) to 2013 year, more than \$11 bln of investments were done, from more than 60 countries from all over the world to one small country/economy called Georgia. However, comparatively significant amounts of foreign investment began to inflow to Georgia only since 2004 year, when it almost reached half a billion US Dollars (see table I).

Next years were also positive/beneficial for Georgia. FDI inflows were growing year after year and if not world financial crises and Georgian-Russian war of 2008 year, most probably the amount of FDI would increase, since Georgia had all necessary conditions for that. However, 2008 year frustrated Georgian Government and its economy, 2009 was even worse. It was not before 2010 when FDI inflow again began to grow, but not for a long time, in 2012 FDI trend fall down again (experts agree that it was caused by the non stable situation in Georgia, related to elections and change of ruling party in government).

Significant increase in FDI (for instance: only \$131 mln in year 2000) since 2004 did not happened by chance, it very much was caused by the significant reforms done in Georgia in many areas, for that period of time. The most key pillars of this transformation, performed soon after the “Rose Revolution” were: a) Police reform, which slightly decreased the crime rate and increase confidence in Governmental structures; b) Liberalization of Tax Code and Customs Duties, which attracted more and more investors from different countries, because of easiness of business making; c) Well thought international PR actions (for instance: promoting Georgia as number one reformer in the world and/or country with no corruption and so on). All above mentioned elements created a good ground for attraction of new investments in Georgia.

I. Differences in Statistical Data

It is important to note that annual FDI inflow size in Georgia is different according to three different organizations (National Bank of Georgia (NBG), National Statistics Office of Georgia (GEOSTAT) and World Bank (WB)).

Differences are not essential in the most cases and equals approximately to the \$50 millions; however in 2007

dissimilarity between NBG (\$1.75 billion) and GEOSTAT (\$2 billion) was more than \$250 million (see table 2). At the same time, WB claims \$1.87 billion FDI, which is somewhere in-between the indicators of other two organizations.

The problem here is that all three organizations are working based on different methodologies. Nevertheless, the main source of information for WB and NBG is GEO-STAT, therefore it has the most comprehensive statistical FDI data related to Georgia.

However, It should be noted that since 2004 year GE-OSTAT was directly incorporated in to the Ministry of Economic Development (later renamed to Ministry of Sustainable Economic Development), which is ridiculous (Papava, 2013). Government should not calculate its own achievements as it was done in Soviet Union.

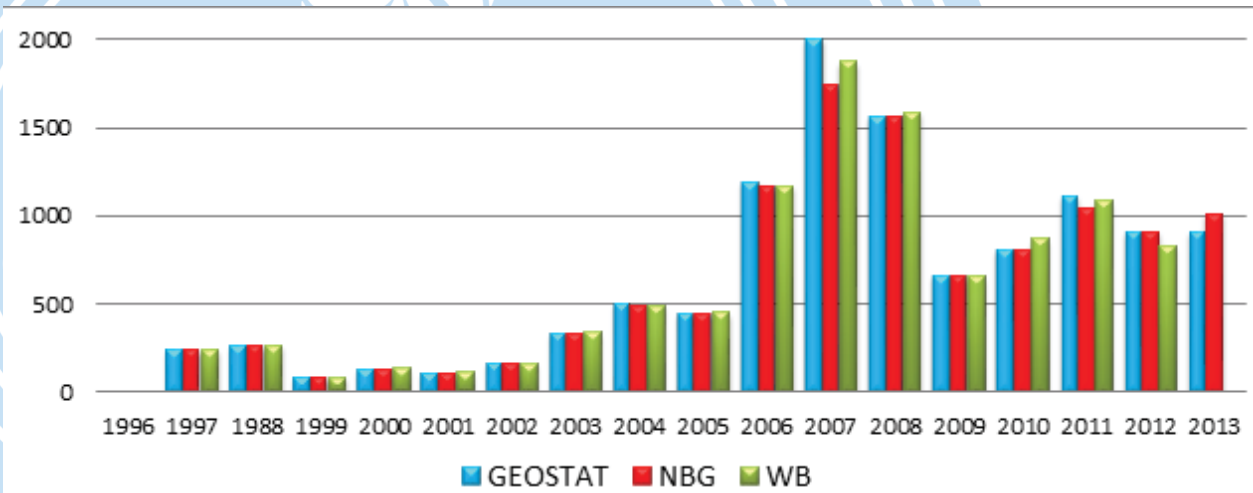
II. FDI Inflow from Different Regions of th World

The distribution of total FDI inflow since 1996 to 2013 years (\$11.4 billion in a total), between top partner regions of Georgia are the following (see table 2): European Union - 41% (26 out of 28 EU countries have made FDI's to Georgia); Commonwealth of Independent States (CIS) – 13%; North and South Americas – 13% and Asia – 11%.

These four above mentioned regions make up to 78% of all direct investments, but what is more important is that EU on its own invests almost half of all investments done in Georgia since 1996 (see table III) and its very logical, since the EU is the richest neighbor of Georgia. Also, EU is the top investor based on annual indicators, since year 2003 EU invests to Georgia more than any other region (see table 4). Moreover in 2007 EU invested almost 60% of all investments done in that particular year;

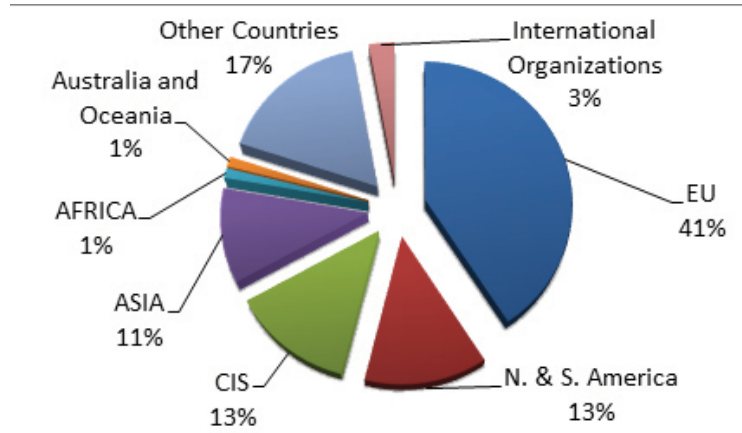
Taking in to a consideration the possibilities of further improvement of Georgia-EU economic relations based on Association Agreement (AA) between these two entities of international law, it means that Georgia has a real chance to sharply increase FDI inflow (in absolute numbers) from EU countries, within the nearest decade. Moreover, under the article 80 of AA Georgia and EU agreed on such important issues as: investment protection and to investor-to-state dispute settlement procedures, which is an important play-

Table 2. FDI inflow in Georgia according to different organizations



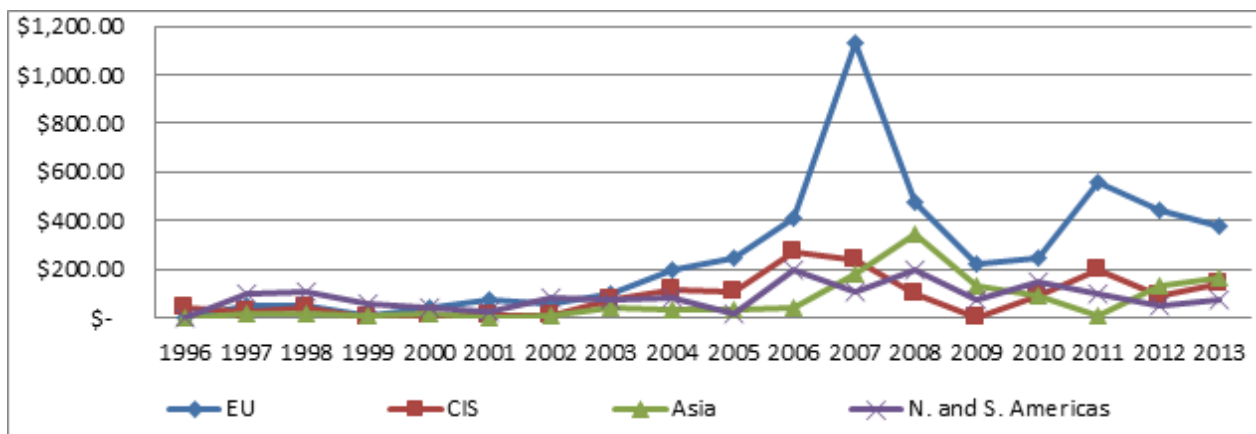
Source: Done by author based on GEOSTAT, WB and NBG data

Table 3. FDI inflow in Georgia from different regions (1996-2013 years)



Source: Done by author based on GEOSTAT data

Table 4. The dynamics of FDI inflow in Georgia from different regions (1997-2012 years)



Source: Done by author based on GEOSTAT data

ground for EU investors to feel more safety and comfortably invest his money to Georgia. Therefore with the knowledge already gained on Georgian market and its possibilities, easiness of doing business, plus additional guarantees of protection under AA – we believe that more EU investors will come to Georgian market and invest their money.

III. FDI Inflow from European Union Countries

The fact that Georgia attracts almost half of FDI (with the potential of further grows) from EU is of course a positive moment from Georgia, but on the other hand it means that Georgia is very much depended on this region and any economic downturns in EU, which can theoretically happen (financial problems, high unemployment rate, political instability in different countries), can negatively affect Georgian economy.

Therefore it is important to diversify investments from EU at least within the EU member 28 countries; not to be depended on only few investor countries (see table V). The combination of ways how it should be done are different (tax code liberalization, special treatment to new investors; less governmental burden; stable macroeconomic and political environment; criminal and corruption free atmosphere in the country; creation of special economic zones and so on), but all of them will need strong political will and support from the government of Georgia, as well as from the international

organizations and partner countries.

FDI attraction is very much depended on the country's image. For the small nation with two conflict regions and 20% occupied territories it is very hard to create a positive and attractive image, moreover situating in one of the hottest and most unpredictable regions in the world (Central Caucasus), however on the other hand Georgia has its regional and global role of transit territory, which must be used for peace, stability and economic prosperity of the country.

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Table 5. FDI inflow from EU countries, total (1996-2013 years)

№	Country	Thousand \$
1	Austria	262 433,8
2	Belgium	1 309,6
3	Bulgaria	7 796,5
4	Cyprus	294 888,0
5	Czech Republic	414 782,1
6	Denmark	309 178,8
7	Estonia	4 717,9
8	Finland	4 785,8
9	France	189 359,0
10	Germany	376 059,5
11	Greece	38 688,8
12	Hungary	2 593,0
13	Ireland	16 450,2
14	Italy	160 351,1
15	Latvia	6 483,1
16	Lithuania	12 084,4
17	Luxembourg	263 431,5
18	Malta	97 405,8
19	Netherlands	1 022 888,5
20	Poland	10 941,2
21	Portugal	-2 811,7
22	Romania	5 532,7
23	Slovakia	4 276,4
24	Spain	7 911,6
25	Sweden	2 644,5
26	United Kingdom	1 154 189,2
Total		4 668 371,4

Source: GEOSTAT

IV. Top three Foreign Direct Investor Countries from EU

The FDI's from three EU countries: Netherlands (\$1 billion), United Kingdom (\$1.15 billion) and Czech Republic (\$415 million) makes up more than half of EU investments (\$2.6 billion out of \$4.7 billion) or 23% of total investments done in Georgia since 1996 (\$11.4 billion). Let's look closer to the dynamics of investments from this top investor countries (see table VI).

1. The oldest investor, out of given three countries is - United Kingdom, which first made its FDI in Georgia in a previous century (1997 year). Netherlands began to invest in Georgia since year 2000 and the last but not least Czech Republic made its first investment in Georgia in year 2003, with the total investment of less than one million US dollars.

The first FDI by United Kingdom done in 1997 was the third biggest investments for that year in Georgia (\$25 million), after USA (\$97 million) and Australia (\$27 million). Interest of UK FDI's in Georgia are quite diversified, but the most popular ones are: Financial Sector (\$80 mln); Transport and Communications (\$36 million); Hotels and Restaurants (\$32 million); The less interested spheres are: Consulting (\$0,6 million) and Energy (\$70.5 thousands) (see table VII).

UK investments in different areas are done by or invested in only few dozens of the companies (2009 year – 43 companies; 2010 – 49; 2011 – 64; 2012 – 85), out of which most outstanding ones are: Caucasus Online; Tav Urban Georgia; Canargo Georgia; Georgian Lottery Company; British American Tobacco, Award; TV company – “MZE”; Air BP Georgia and others.

2. Number two Foreign Direct Investor from EU – Netherlands, could be characterized with a big gaps in investments year after year. After the first two years of relatively small investments, FDI from Netherlands disappeared from Georgia for next three years. The biggest investments done

by this country were detected in 2007 year – \$299 million and in 2011 year - \$242 million.

Investors from the Netherlands were most interested in the following areas: Energy Sector (\$128 million); Transport and Communications (\$143 million) and Financial Sector (\$65 million). And the least interested in Construction (\$2.4 million); Health Care (\$1.9 million); Agriculture (\$1 million) (see table VIII).

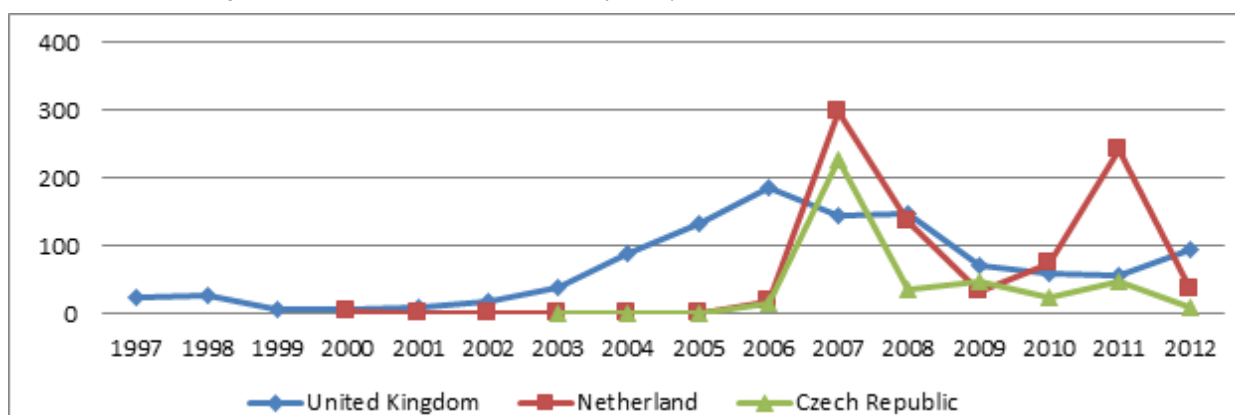
In 2012 year there were detected 88 companies in which Dutch investors made their FDIs, out of which the most important ones are: Geocell; Black Sea Terminal, Georgian Cement; Rompetrol Georgia; RMG Gold; Geo stil; IDS Borjomi Georgia; Ernst & Young; Kraft Foods; Irao; Rustavi Metal; Batumi Oil Terminal; Visoil Petroleum Georgia; Lomisi; Madneuli; Tbilisi Central and many others.

3. Relatively new (since 2003), but already one of the biggest Foreign Direct Investor to Georgia - Czech Republic, invested \$227 million in 2007 year (second biggest investment after Netherlands in 2007 year – \$300 million), which was only 11 million less than the FDI from CIS region in the same year (\$238 million).

Main current of FDI from Czech Republic is closely related to the energy sector. Czech businessmen invested \$45 million in energy sector only in 2011 year (see table IX). However, the main investing company – “Energo-pro Georgia” is known for its unreliable reputation¹. Anyway, Energo-pro Georgia is already holding 15 local hydro power stations (with the total capacity of 470 megawatts) and controls 61% of local market.

The total number of Czech companies in Georgia is not big: 12 companies in 2012 year (2011 year – 8; 2010 year – 6): Block Georgia; Beer Bar Budweiser; Sky service; Jino Park; Ross Holding Georgia; ANS Group; Georgian Agro Industry Group and others.

Table 6. FDI inflow in Georgia from UK, Netherlands and Czech Republic (million \$)



Source: Done by author based on GEOSTAT data

Table 7. UK FDI in Georgia, by years (thousand \$)

Sector	2010 year	2011 year	2012 year
Agriculture, Fishing	-71.8	268.4	3,178.0
Consulting	-41.9	15.9	612.1
Other Sectors	3,565.0	-7,319.4	11,813.6
Financial Sector	21,750.8	29,807.2	31,646.0
Industry	8,537.5	-	-
Mining and Quarrying	-	1,432.0	8,687.9
Manufacturing	-	6,336.4	1,568.2
Energy	-	70.5	-
Construction	373.3	1,904.4	17,238.7
Hotels and Restaurants	11,181.5	20,178.2	477.7
Transport and Communications	7,325.6	10,767.0	18,120.4
Real Estate	6,344.0	-8,484.0	260.5

Source: GEOSTAT

Conclusion

Since, FDI provides firms with new markets; admission to new technologies, products and management skills; marketing channels; cheaper production facilities, and financing opportunities - it plays a significant role in Georgian economic development.

Increasing FDI inflows from all over the world to Georgia in last decade was achieved with the outstanding reforms managed by the Georgian government. However, such important phenomenon as world financial crisis and Georgian-Russian war put its consequence on the over amount of FDI inflow in Georgia in the last years. It is important to mention that the biggest investor region for Georgia is EU, which is interested in Georgia not only from the economic points of view, but from political.

The case studies from main EU investor countries show that Georgia has a big potential of investment in different areas, such as: financial sector; energy; construction; tourism industry; transport and communications. Moreover, signing of AA between Georgia and EU will further boost all the fields of economy in Georgia in both short and long terms. It will attract more investments from different countries and especially from EU.

The last, but not least important issue is the calculation of annual FDI inflow to Georgia. As we saw from the table II, it is calculated differently by different organizations, but what is more important is that all of them show significant increase of FDI in last decade, which gives a positive signal to investors and underlines necessity of further improvement of investment climate in the same direction.

Table 8. Dutch FDI in Georgia, by years (thousand \$)

Sector	2010 year	2011 year	2012 year
Agriculture, Fishing	-8.1	9.5	-377.0
Consulting	963.2	1,098.5	257.6
Health and Social Protection. Help	-	-	1,920.6
Other sectors	17,003.0	5,107.8	24,251.1
Financial Sector	25,757.9	29,880.7	8,980.2
Industry	25,959.5	-	-
Mining and quarrying	-	9,577.5	-12,064.4
Manufacturing	-	31,162.6	-75,067.5
Energy	23,058.5	69,899.8	35,905.9
Construction	-	99.8	2,348.4
Hotels and restaurants	-22,857.7	-4,037.1	-822.0
Transport and communications	-914.9	94,795.4	49,586.0
Real Estate	4,400.8	4,224.5	449.4

Source: GEOSTAT

Table 9. Dutch FDI in Georgia, by years (thousand \$)

Sector	2010 წ.	2011 წ.	2012 წ.
Consulting	-19.8	53.4	1.6
Health and Social Protection. Help	0.2	-	-
Other sectors	-7.3	21.4	82.6
Energy	24,694.6	45,693.7	7,582.4
Construction	-453.8	832.4	373.0
Hotels and restaurants	-0.4	2.5	2.4
Transport and communications	-	-5.2	-10.6

Source: GEOSTAT

¹ Expanding policy of "Energo-pro" <http://www.netgazeti.ge/GE/105/business/17432/>

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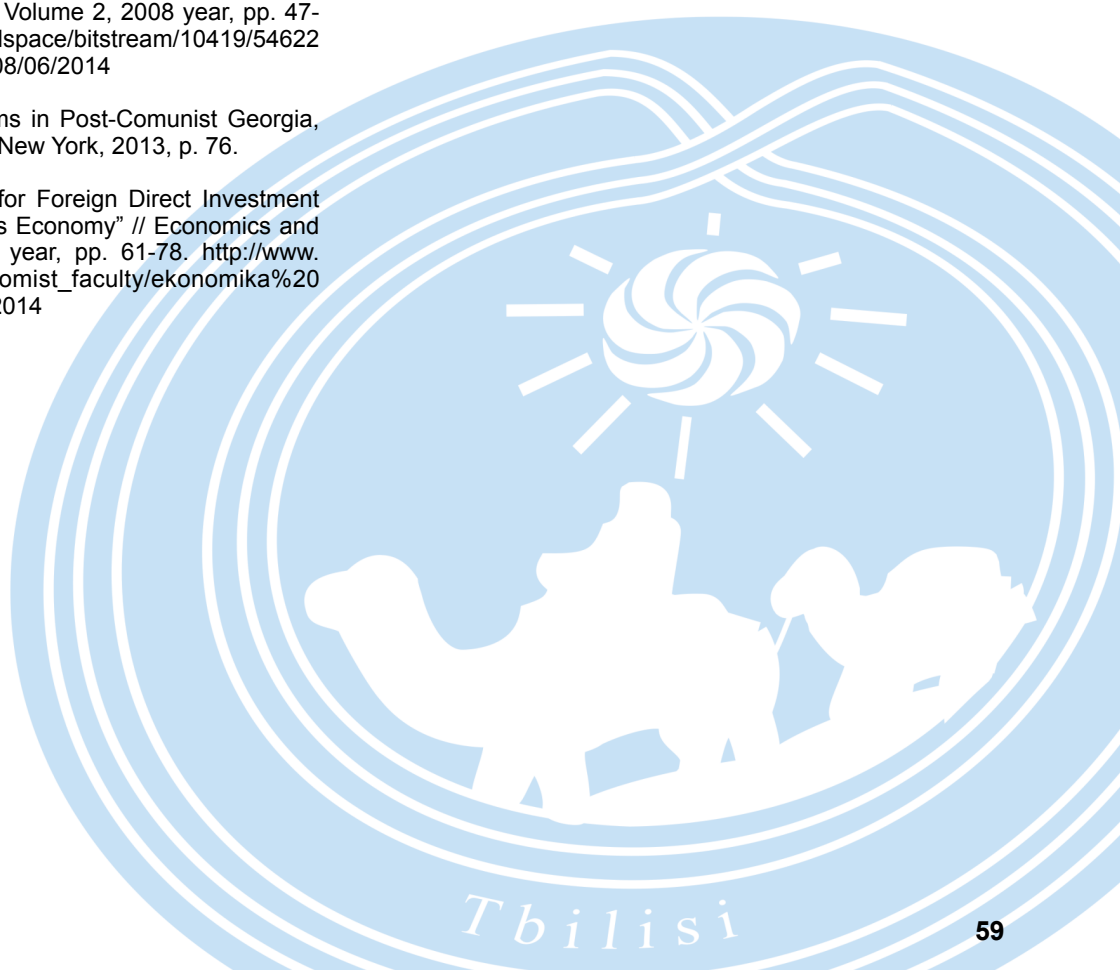
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Harmonisation of Savings Income Taxation in the EC

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Abstract

The prime purpose of the paper is to look critically at the relevant legal framework of the EC, examine the feasibility and effectiveness of the EU approaches on taxation of interest income as well as anticipate possible implications of their implementation.

Keywords: Savings Directive, Savings Income Taxation, Withholding Tax, Information Exchange

Introduction

The liberalisation of capital movement ratified by the EC legislation alongside positive outcomes supporting single market has sharpened the issue of tax evasion with respect to the taxation of income from capital investments. In fact individuals investing in the Member States other than the state of residence tend to avoid declaring their income to the tax authorities in the state of residence. As a result of this behaviour and lack of information available to the tax authorities concerning tax offender significant budget revenue losses might occur for the Member State concerned.

Moreover, "the different rates and levels of taxation of income from capital in the Member States could distort its smooth and harmonious flow within the common market"¹. It should be noted that as the single market has become more of a reality, especially as currency exchange risks (and artificial interference with interest rates at the national level) have been eliminated for those member states participating in EMU, the market effects of differential tax systems become more obvious². Consequently, the influence of tax measures on the economic decisions taken by individuals increased³. It could be argued that the Member States' preferential tax treatment of the local investment inevitably causes infringement of capital export neutrality and globally has impact on capital import neutrality. Furthermore, substantial differences in the effective tax burdens on investment returns as a result of the border crossing of economic activities frustrate free competition and the free movement capital⁴. This form of competition may be counterproductive from an

internal market point of view in that it does not, create economic opportunity and activity that drains activity from one tax jurisdiction to another, at high cost for the drained State, and to the benefit of the draining State⁵.

Thus, the principal concerns of adverse tax competition can be identified as: first, competition among states to attract investment might lead to a tax-cutting resulting either undesirably low levels of tax revenue or, more probably an inequitable distribution of the tax burden; secondly, tax concessions would distort "normal" investment decisions and thus lead to inefficient allocation of resources⁶. Moreover, with respect to the interest income the factor of "banking secrecy" would contribute to the attraction of capital making almost impossible for the tax authorities of the residence state to reveal actual income of their residents. Consequently, this would give raise to the tax evasion.

These problems were recognised by the EC and as a result Council Directive on harmonised measures was developed. This was to ensure effective taxation of capital investment income and prevent tax evasion (avoidance).

I. General Issues

Political consensus on harmonisation of the rules in the field of savings taxation seemed to be hard to achieve. Various factors contributed to the conservative attitudes of the Member States. For instance: it might be fear of losing an instru-

¹ S. Mohamed (1999) "European Community Law on the Free Movement of Capital and the EMU", Stockholm p.124

² J. Usher (1999) "Legal Background of the Euro", Legal Framework of the Single European Currency, Edited by P. Beaumont, N. Walker, Hart Publishing, Oxford-Portland, p.33

³ F. Alfredo Garcia Prats (2002) "The Evolution of Income Taxation under EC Law Requirements" EC Tax Review 2002-3, p.138

⁴ B. Terra, P. Wattel (2001) "European Tax Law" Hague, Kluwer Law International p.145

⁵ Ibid pp.146-147

⁶ A. Easson (1997) "Tax Competition and Investment Incentives", EC Tax Journal, Volume 2, 1996/97, Issue 2, p.69

ment of attracting capital to their economies by tax concessions or even exemptions from tax on savings, especially for the countries substantially depending on banking business. As a consequence, the probable threat of capital outflow to the third countries might contribute to reluctance of the Member States to harmonisation approach. Thus, while taking a decision Member States would be required to choose between current or potential loss caused by tax evasion and possible loss to be incurred as a result of capital outflow to the third countries. According to S. Mohamed "The only way out of this deadlock is to accept the realities in the business world and to allow market forces to compete in this sector"⁷. In other words he suggested maintaining status quo argued by the desire of the Member States to preserve bank secrecy and prevent capital outflow to the third countries. From another view, unfair competition caused by unregulated practices in the sphere of savings may be extremely damaging, as they undermine the fairness and overall efficiency of tax systems⁸.

Two major approaches were evident in the commission initiatives on taxation of savings. The first instrument utilised basically by the source country is withholding tax on interest income; this is already used by some Member States. However, mere taxation at source does not entirely prevent tax evasion since there is still the danger of non-declaration of income to the country of residence. Thus, in order to ensure effective tax administration, the need for an additional tool emerged (i.e. information exchange with the country of residence). In fact, the information exchange was presented in the recent drafts and also in the finally enacted Council Directive "On taxation of savings income in the form of interest payments"⁹ (further Savings Directive)¹⁰.

As it was stated above, the Member States achieved a consensus on introduction of the information exchange approach. It should be noted that during the debates the UK strongly supported an information exchange in contrast with the single withholding taxation. It is believed that the economic and political arguments discussed below reflecting advantages and disadvantages of the single withholding tax and information exchange could justify the final decision of the Member States.

I.1 Withholding tax

One of the strongest arguments in favour of the withholding tax is that it requires less administrative costs and is relatively easy to enforce. However, it provides insufficient amount of revenue and leaves unregulated the problem of tax evasion in the residence state. Even if we assume that withholding tax at a higher rate is imposed on the cross-border interest income without subsequent taxation in the residence state, there would be still a problem of tax revenue distribution between the residence and source Member States.

I.2 Information Exchange

From the political point of view the information exchange approach can be easily reconciled with the principle of subsidiarity and tax sovereignty of the Member States. It can be also economically efficient since it would assist in diminishing of the tax evasion. Apart from that, utilization of this tool would substantially improve the degree of capital export neutrality in Europe. Finally, an important advantage of the information exchange is that it gives rise to the possibility of reconciling sovereignty of the State with the need for economic efficiency¹¹. However, the significant disadvantage of the system could be an administrative burden of the paying agent potentially jeopardizing the effectiveness of the system.

Comparing the above-mentioned "pros" and "cons" of both systems the following conclusion can be drawn: an information exchange is an ultimate tool (at least at the moment) to tackle tax evasion and ensure effective taxation of the cross-border interest income. Nonetheless, in order to ensure successful implementation of the Savings Directive the solution with respect to the administrative burden should be found.

As it was already mentioned the introduction of harmonised rules would impose a substantial administrative burden on financial institutions obliging them "to perform tasks necessary to implement the Directive"¹². Therefore, the financial institutions or other economic operators encumbered by the responsibility to carry out identification of the beneficial owner, his residence as well as determination of the interest income could react inadequately to this initiative since it would obviously cause additional expenditures and require additional resources. Furthermore, implementation of this mechanism could result in different treatment of residents and non-residents, which in turn is likely to increase administrative costs.

According to the Article 56.1 of the EC Treaty free movement of capital is guaranteed not only within the EU but between Member States and the third countries as well. It means that tax evasion prevention measures should be extended to the third countries including tax havens.

II. Partial withholding tax harmonisation approach (1989)¹³

This initiative canvassed introduction of withholding tax at the minimum rate of 15 percent on interest income received by any person including individuals and legal persons. Although it was a progressive step toward harmonisation of interest income taxation, numerous inconsistencies and potential implementation problems occurred in the draft. According to the draft Directive the rate of withholding tax would be set by the resident country and not the source country and should be a minimum of 15% (Article 4.1). Consequently, this system would not preclude the possibility of multiple rates and even promote harmful tax competition¹⁴.

⁷ Mohamed, 1999 p.125

⁸ "Tax Policy in the European Union" 2000 European Commission p.9

⁹ Council Directive 2003/48/EC of 3 June 2003, OJ L 157/38

¹⁰ S. Stefansson, 1998 "The Harmonization of Taxation within the European Union and European Economic Area with Special reference to Capital Earnings in Iceland", European Financial Area Ed. Matti Rudanko and Pekka Timonen, University of Helsinki, page 281

¹¹ M. Devereux, M. Pearson (1989) "Corporate Tax Harmonization and Economic Efficiency", London, Institute for Fiscal Studies, p. 1

¹² F. Murray, 1999 "EU Package of Measures to Tackle Harmful Tax Competition" European Business Law Review May/June, p.238

The withholding tax is allowed as a credit against income or profits tax payable by the recipient. Moreover, the recipient of the income is subject to the refund if withholding tax exceeds income or profits tax or if he/she is exempt from income/profits tax. The Member State, which refunded or credited in the home state, should receive refund from the State levied withholding tax (Article 8). The source country then bears the budgetary cost of crediting or refunding the tax unless differently agreed under bilateral treaty¹⁵. This might discourage the state levying withholding tax to collect it taking into account state expenditures with respect to administration and collection of the taxes concerned.

Finally, the exchange of information is hardly discussed in the proposed Directive demonstrating limited interest of the Member States in increased co-operation and exchange of information.

Due to the drawbacks mentioned above the proposal proved to be unrealistic.

II. "Co-existence" model (1998)¹⁶

The proposal "On a common system of withholding tax on interest income" was replaced by proposal for a Council Directive to ensure a minimum of effective taxation of savings income in the form of interest income within the Community. The submission of the proposal was a logical consequence of the ECOFIN Council meetings of 1 December 1997 concerning taxation policy which approved the objective of guaranteeing a minimum of effective taxation of savings income within the Community and preventing undesirable distortions of competition.

The proposed Council Directive introduced a so called "co-existence model". According to the proposal, Member States can implement either withholding tax or provision of information to the Residence State of the beneficial owner. The first option obliges the paying agent to levy 20% of withholding tax on the beneficial owner (Article 8)

Another option for the state is an information transmission without imposing withholding tax. In fact, both Member States (host and home countries) take the responsibility to provide information. The residence country should issue a certificate indicating the beneficial owner, an amount of the interest and the date of payment. In turn, the host state should communicate with the home state in order to inform the competent authorities concerning the interest paid (Articles 7, 9). Consequently, consistent with the latter system the paying agent has to examine documentation submitted

by the beneficial owner in order to transfer the relevant information to the competent authorities. Similar to the withholding tax system, a paying agent takes over an administrative burden of execution of the system apparently causing additional costs.

It can be concluded that: first, the imposition of tax assessment on the paying agent such as financial institution or other economic operator will increase an outlay for the operator¹⁷ and hence would create additional obstacles to the implementation of the Directive. Secondly, it can be anticipated that the combination of both regimes in the EC would produce unbalanced results in respect of distribution of tax revenues within the Community¹⁸.

This proposal had the same fate as its predecessor initiative presumably due to the reluctance of the Member States towards common withholding tax system even with an option to provide information instead.

III. Provision of information (2001¹⁹, 2003²⁰)

The exchange of information was regarded as a basic objective of the EU in the line of international developments and as a consequence of these processes the 1998 proposal was replaced by the new proposed Council Directive of 2001 introduced the information exchange approach in lieu of "co-existence model". The information system seemed to be a better solution than the "co-existence model" since it was less intruding to the Member States' independence to determine and implement their tax policy²¹. This could once again explain the final agreement of the Member States on the adoption of the Directive, which with minor changes was enacted on June 3, 2003.

According to the Directive most Member States will have to exchange information on the interest paid by a paying agent to the beneficial owner of another Member State within a certain time period. The communication with residence country should be automatic at least once a year. The implementation of the Directive could inevitably result in almost²² complete abolishment of "banking secrecy" for the Member States obliged to provide information.

A limited number of named states (Belgium, Austria and Luxembourg) are allowed to operate transitional withholding tax instead of providing information, at a rate 15% of the withholding tax during the first three years, 20% during the next three years and 35% thereafter. They have to transfer 75% of the revenues received from the withholding tax to the country of residence (Article 11, 12). This requirement can

¹³ Proposal for a Council Directive on a common system of withholding tax on interest income COM (89) 60 final/3 (89/C 141/06)

¹⁴ Ed. Gardner (1992) "Taxes on Capital Income" Occasional Paper "Tax Harmonization in European Community" Ed. G. Kopits IMF Washington DC p.64

¹⁵ Gardner p.63

¹⁶ Proposal for Council Directive to ensure a minimum of effective taxation of savings income in the form of interest payments within the Community; COM(1998)295 def.

¹⁷ Stefansson p. 281

¹⁸ A. Dourado (2000) "The EC draft Directive on Interest from Savings in International Tax Law" EC Tax Review 2000-3, p.150

¹⁹ Proposed Council Directive to ensure a minimum of effective taxation on savings income in the form of interest payments within the community; COM(2001) 400 def

²⁰ Council Directive "On taxation of savings income in the form of interest payments" 2003/48/EC of 3 June 2003, OJ L 157/38

be explained "...if a Member State does not want to share information, it must share revenue"²³.

The aim of this directive will not be achieved if persons can easily avoid both withholding tax and reporting on income in the country of residence by transferring their funds to the third countries and hence distorting internal market development²⁴. The European Commission in order to tackle these problems conducted negotiations with the key non-EU countries (Switzerland, Liechtenstein, Monaco, Andorra and San Marino)²⁵ as well as with the dependent and associated territories in order to ensure adoption of "equivalent measures" in these countries in order to allow effective taxation of savings income paid to EU residents. However, the concern might be that the jurisdiction of the Directive might be extended merely within the framework of the constitutional arrangements of the third countries.

III.1 Double Taxation

An interesting innovation was presented in the Savings Directive concerning prevention of double taxation. In order to eliminate double taxation where the amount of tax withheld (by countries subject to transitional provisions) exceeds the amount of tax due based on national legislation, the Member state of residence should repay the excess amount of tax withheld to the beneficial owner (Article 14). The Commentary to the Directive excludes companies and agents from the scope of the Directive. Consequently, refund of excess tax withheld will not apply to beneficial owners other than individuals. Credit countries invariably do not pay tax refunds when the effective rate on foreign income is higher than domestic effective rate²⁶. Moreover, Article 23B of the OECD Model Convention provides that the deduction amount shall not exceed the tax computed before deduction. It means that tax credit country shall not refund any excess amount caused by the higher rate in the source country than in residence one. As a result we might get discriminatory treatment of other beneficial owners comparing to individuals

III. Revised Savings Directive (2014)²⁷

On 24 March 2014 changes to the Savings Directive were adopted to improve rules on exchange of information and therefore to better mitigate tax fraud and evasion.

"The main changes to the existing Savings Directive contained in the amending proposal with a view to closing existing loopholes are the following:

- A look-through approach based on 'customer due diligence' which prevents individuals from circumventing the Directive by using an interposed legal person (e.g. foundation) or arrangements (e.g. trust) situated in a non-EU country which does not ensure effective taxation of the interposed legal person/arrangement on all its income from financial products covered by the Directive;

- Enhanced rules aimed at preventing individuals from circumventing the Directive by using an interposed legal person (e.g. foundation) or arrangement (e.g. trust) situated in an EU Member State. Those rules involve the reporting by that legal person or arrangement;

- Extending the product scope of the Directive to include financial products that have similar characteristics to debt claims (e.g. fixed/guaranteed return securities and life insurance wrapper products), but are not legally classified as such;

- Inclusion of all relevant income from both EU and non-EU investment funds in addition, as contained in the current Directive, to the income obtained through undertakings for collective investment in transferable securities authorized in accordance with Directive 85/611/EEC ("UCITS").²⁸

National rules based on new Savings Directive should be adopted by Member States by January 2016.

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²¹ Dourado p.151

²² The Member States remain the right to use "banking secrecy" with respect to their residents and residents of the third countries, however subject to the limitations based on the money laundry legislation.

²³ Terra, Wattel p.454

²⁴ Terra, Wattel p.458

²⁵ The Commission has been updating existing Savings agreements with five European third countries (Andorra, Liechtenstein, Monaco, San Marino and Switzerland), in line with developments at EU and at an international level to be finalized by the end of 2014 (http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/revised_directive/index_en.htm)

²⁶ B. Arnold, M. McIntyre (1995) "International Tax Primer" Kluwer Law International, London- the Hague-Boston, p. 40.

²⁷ Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments; Official Journal L 155 of 15 April 2014, p.50

²⁸ http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/revised_directive/index_en.htm

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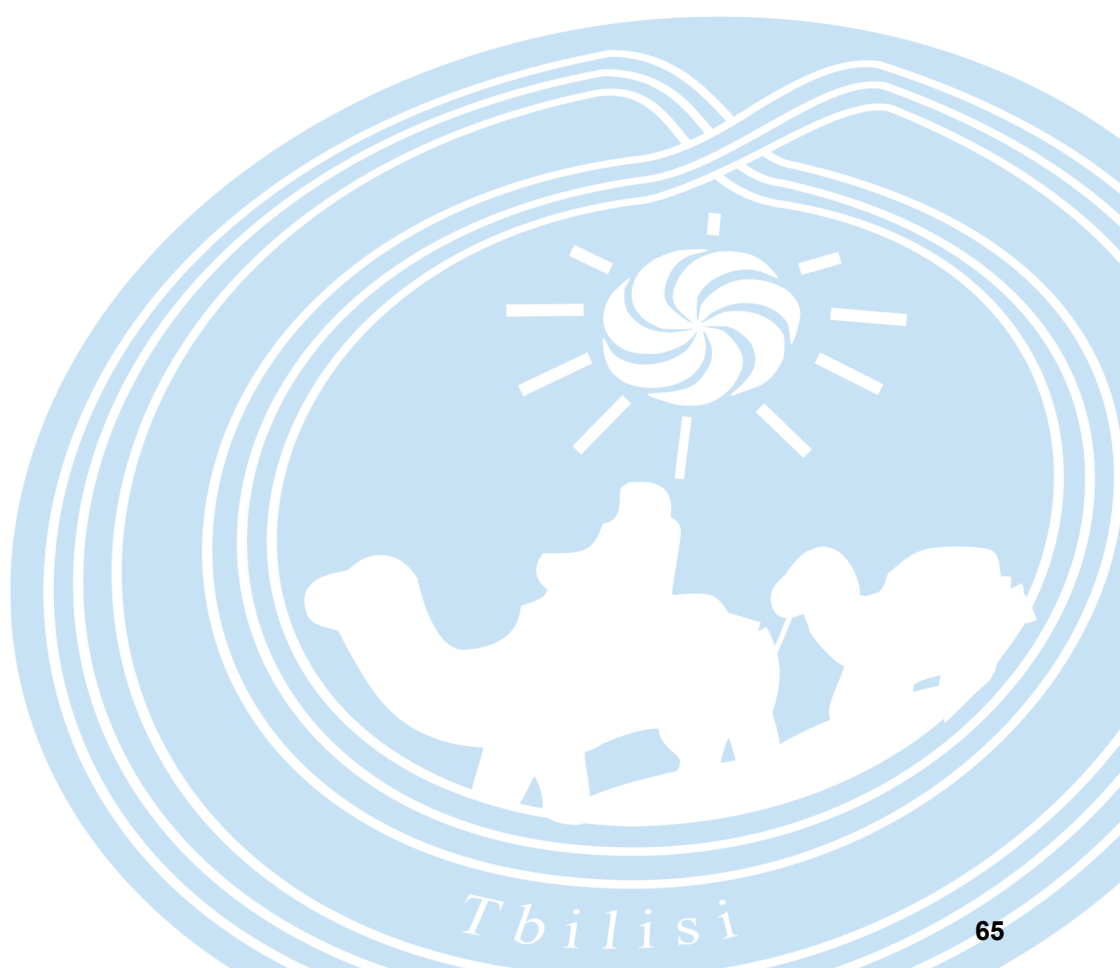
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Accounting and Auditing in Georgia

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Abstract

“The Regulatory framework is the most important element in ensuring relevant and faithfully presented financial information and thus meeting the needs of shareholders and other users” (Extract from “Conceptual Framework”). Why do companies need to present their financial statements according to International Financial Reporting Standards (IFRSs)? The point is that the adoption of the international standards makes it easier for an investor to appraise the company based on its financial statements prepared in accordance with IFRSs; the implementation of the control mechanism is easier due to the fact that all resources are already available and one should only be good at reading and interpreting them. However, sometimes there are some problems with implementing IFRSs in developing countries such as Georgia: translation difficulties, adapting the professionals/accountants to sometimes not so easy to understand standards, etc.

Since 1999 Georgia has adopted IFRSs according to the Law on Accounting and Reporting. Since then the two main problems have permanently existed concerning IFRSs –Standards (translation) gap, which means that the IFRSs in Georgian language is different from the latest issue of IFRSs due to time lags in translation; and Compliance gap, a more serious problem rather than Standards gap which can mainly be explained by the lack of understanding IFRSs (accrual basis accounting ,etc.) from the part of the local companies. One of the most important factors in reducing the Compliance gap is the improved level of education and training for accountants and auditors in Georgia.

According to the new legislation on Accounting and Auditing, effective from June 2012, the Compliance gap as well as Standards (translation) gap will be eliminated by requiring the application of IFRS as a whole, including any current updates. The new law empowers one “professional organization”, which shall be the true member of the International Federation of Accountants (IFAC), to be responsible for various tasks (discussed below) but mainly the translation of IFRSs as well, in so doing Standards gap will be reduced.

One may wonder, why shall the professional organization, selected on the basis of the new Law on Accounting and Auditing, be a member of the International Federation of Accountants (IFAC)? The fact is that IFAC’s main objective is to co-ordinate the accounting profession on a global scale by issuing and establishing international standards on auditing, management accounting, ethics, etc. To put the long story short, due to the experience and knowledge database, the refined, approved and time tested knowledge, which is essential for the countries like Georgia, which are under the transition period. Yes, it is true that Georgia has made progress practically in all ratios and rankings since 2003 but still, there are a lot of shortfalls and inconsistencies in accounting and auditing reform.

This paper will analyze the current situation in Georgia concerning Accounting and Auditing, the relationship between companies, regulators, laws governing the profession and experts who work on a daily basis to have a word and impact on the processes in this field country wide.

Keywords: accounting reforms, accounting education, Big 4, IFRS & ISA, accounting software

I. Legislation-The Law on Accounting and Auditing in Georgia (June 2012)

Prior to analyzing the shortfalls and benefits of the current Law on Accounting and Auditing, let’s consider some factors and reforms which led to the development of the new Law. In 1999 the “Georgian Law on Regulation of Accounting and Reporting” was adopted by the Government of Georgia. The major principles of the Law was the following:

1) International Financial Reporting Standards (IFRSs) were fully adopted and translated in Georgia. IFRSs were made mandatory as the only reporting standards in the country.

2) The Law created Accounting Standards Commission with the following responsibilities:

- Approval of the temporary accounting standards, es-

pecially the issues not specified in the Standards but important to Georgia;

- Approval of IFRSs translations into Georgian language.

Furthermore, the Audit Council of the Parliament of Georgia was created to supervise the auditors in Georgia. However, the Council failed to fulfill the role due to lack of resources, inclination to corruption, etc.

Since 2005 the works concerning the New Law on Accounting and Auditing were launched. The most important changes were as follows: The profession was moved to de-regulation, the Council was abolished after the new Law was in force after 2012. However, there are 2 issues of the crucial

importance in the new Law. These are:

1) The "Professional Organization" (namely the true member of IFAC) will be required to register auditors and the translation of IFRSs into Georgian language. This Professional Organization will be obliged to maintain the register of auditors as well.

2) The Professional Organization should conduct quality control and monitoring of member auditing companies once in every three years.

After the thorough analysis of the new Law and conducting the interviews with the professionals in this sphere some shortfalls of the law and the problems and difficulties which Professional Organization faces came to our attention

First and foremost, nowadays in Georgia there is only one member of IFAC, namely the Georgian Federation of Professional Accountants and Auditors (GFPAA) from the year 2000 (the year when it became a member of IFAC). During the research period, we interviewed the Executive Director of GFPAA, Lavrenti Chumburidze to make clear the position and the direction and strategy for GFPAA.

As we know, GFPAA offers accountancy qualification in Georgian Language since 2000. This qualification is based on translation of 13 course textbooks of the Association of Chartered and Certified Accountants (ACCA's) syllabus. Furthermore, GFPAA is translating the IFRSs into Georgian language as well. However, some problems arise with translation issues, namely, high cost of the translation (approximately 100,000 GEL to translate the updated standard) and the lack of demand on the Market. As per GFPAA, the monitoring of the translation process is very strict and the Standards gap concerning Language inconsistencies is practically eliminated as the Federation hires qualified translators for this case. The translated standards are reviewed by the board of GFPAA mainly consisted by the auditors from the Big 4 Accounting and Auditing Companies.

One of the difficulties, which GFPAA faced with the new legislation (accepted in 2012) is the responsibility to conduct monitoring and quality control of the member auditing firms. One shortfall of the new Law is that the mandatory process of all auditing companies to become members of the professional organization and to register in the register of auditors was prolonged twice for 1 year after the adoption of the new Law. This makes impossible for GFPAA to conduct monitoring and quality control as it can monitor only its members and has no binding and enforcing rights on non-member auditing companies. As per Executive director of GFPAA, there are 60 current members in the Federation, while based on the previous Audit Council there were registered nearly 200 auditing companies in Georgia. So, consequently, the prolongation of the mandatory registration of the auditing companies by the parliament made it impossible for the professional organization to conduct fulfilling its duties.

However, there are other problems rather than the Law inconsistency:

The monitoring and quality review procedure is not as simple duty for GFPAA due to:

- **Lack of expertise** - not enough experienced auditors to proceed with quality reviews of the Big 4 Auditing and Accounting firms for instance;

- Concerns on **independence** as it is very difficult and practically impossible to find experienced retired auditors who are not currently employed by any auditing Firm

- **Lack of funding** - the employment of the highly experienced auditors for quality control will be very costly for the company. However, as per GFPAA the funding will be obtained from the membership fees, which all member auditing companies shall pay. The membership fee is variable and is based on the revenue of the company.

As per our interviewee, the GFPAA is currently trying to overcome all obstacles concerning monitoring and control issues. The company already started negotiations with professional auditors, composed of the Board for Monitoring and Quality Control to resolve all upcoming issues and set detailed strategy for Monitoring and quality control process and informed its members to get ready for the first quality review from September 2014.

The Conclusion that can be derived after the analysis of the Law is as follows: Before the registration of the auditing companies in the register becomes mandatory (and not further prolonged) the Law will not start to work as no quality control and monitoring can be conducted due to lack of rights by Professional Organization (GFPAA). In addition to this, GFPAA need assistance as well in developing the monitoring model, finding professionals and commencing this process as well on which they are currently working.

II. Audit in Georgia

The analysis concerning the level of audit in Georgia cannot be carried out without the existence of monitoring reports of auditing companies. However, we believe that operating auditing companies in Georgia can be divided in two groups- the Big 4 Accounting and Auditing Firms and others. More attention shall be paid to the local auditing companies rather than the Big 4 Accounting and Auditing Firms as the latter mentioned organizations are subject to constant quality controls/reviews on at least a yearly basis.

The fact that currently there is no registrar of auditors means that anybody, with the qualification of certified accountant, can open his/her own auditing firm and conduct audit, **which is not the best practice**.

The Standards and Compliance gaps are present in Auditing as well. The standards gap- the translations of ISA (International Standards on Auditing) is less relatively to IFRSs

As per Report on the Observance of Standards and Codes (ROSC) prepared by World Bank in 2007, the Compliance gap can be more observable outside of the leading auditing firms. The situation concerning auditing firms will be considerably improved and made transparent after the mandatory monitoring that will take place every three years. Those companies, which will not meet the monitoring criteria, will not be permitted to conduct audit. Consequently, they either will be oriented to improvement in the Audit sphere.

III. Profession-Accountant, Auditor. Education and Training Level in Georgia

One of the most important challenges facing accounting and auditing profession in Georgia is the education in this field. As we know, Georgia has adopted IFRSs-based requirements for financial reporting, however, many members of this profession fail to understand and implement the requirements of the standards. We believe that the quality of the accounting profession depends on improving the ability of all Georgian accountants to understand and apply IFRSs. The educational problems can be divided in 2 major groups:

1) Currently employed accountants;

Nowadays, it is very difficult to say the exact number of accountants employed in Georgia. However, there are approximately 20,000 accountants in Georgia but only 2,000 of them are the members of the Georgian Federation of Professional Accountants and Auditors (GFPAA). The major risk for the profession is the current accountants as the profession was taught in a more old-fashion way in the past than nowadays. Consequently, educating the so called “chief accountants” who are currently employed is the issue to be considered. The following can be done to improve the qualifications of the existent accountants:

Practical Applications of IFRSs shall be stressed

- Professional organizations or even GFPAA together with large companies might implement the IFRSs update seminars for registered accountants within organizations on a regular basis (semi, annually, quarterly, etc). The seminars may be followed by the test at the end, which all participants shall take and appropriate certificates shall be issued

Problems that may arise: As we know, there are a lot of accountants in Georgia and organizing seminars/trainings on a regular basis will be expensive and time consuming for the organizers. However, this can be dealt, if the seminars' cost appropriate fee, which will be covered by the company for which the accountant works or by the accountant himself/herself, if he/she is unemployed or self-employed.. Additionally, the employers themselves shall be motivated to hire only qualified staff and ensure that accountants regularly passes some qualification updates, trainings, etc. to make sure that the company's accountant possesses up to date knowledge.

2) Students (undergraduates)

Currently, there are 47 accredited universities in Georgia, in 23 of them the accounting and auditing is taught. Generally, newly qualifying accountants and auditors are most likely get trained in IFRSs and consequently their level of understanding and competence of IFRSs is higher than of the current accountants. However, the problems do exist in this field as well such as:

- Outdated study programs (syllabus);
- Teaching with notes rather than manuals;
- Teaching without practice/lack of practice;
- Unqualified lecturers.

As the situation here is not much better than among current accountants, we decided to conduct the Focus Group at one of the popular University –Tbilisi state University-in this field.

In this section we would like to share our results derived from the focus group which was held in Tbilisi State University.

The Aim of the Focus Group: To establish the level and competence of the best students of the Accounting and Auditing Faculty of Tbilisi State University

The tools used during Focus Group: Questions divided in 4 subgroups such as: IFRSs, Auditing, Accounting and Relevant Legislation

Number of Participants: 13 top ranked students of Accounting and Auditing Faculty

Results:

During the session only 5-6 students participated actively. Only 2 questions out of 5 concerning IFRSs were answered. As for the accounting module, students were more

acquainted with definitions in accounting terms, such as depreciation, accounts receivables, etc. However, they struggled to answer the practical questions. Although they were students of the Audit Faculty, their knowledge concerning the audit was very vague and limited compared to accounting.

On final module, which was “recommendations for improvement” for the profession in Georgia they became more involved. They have serious concerns on relevant manuals of accounting and auditing as they are mainly studying from handouts provided by lecturers, they also complained about the fact that they study only theory without practice. Although the general desire was to change their teaching methodology to be more case based and with practical approach.

The results reached via focus group can be extrapolated to the other universities as Tbilisi State University is provider of the most accountants and auditors due to its size. (The largest State University in Georgia).

Summary

New law on Accounting and Auditing in Georgia is very up-to-date and dynamic, meeting the current demands of the profession. However, it is not yet working as the registrar of Auditors is prolonged for another year and no mechanisms of monitoring exist yet. Sometimes good written things cannot work on their own without outside efforts and spur. The nowadays paradox is that the audit in the country is an unregulated profession, no auditing firms are (non-members of the GFPAA) identified and monitored. The only thing that can be done to commence the process is to enforce the registration of the audit companies in professional organization by law.

As for the Standard and Compliance gaps in the IFRSs implementation, slowly but still the progress is made and the trend is positive. However, the companies now operating on the Georgian market shall be motivated to employ only the qualified accountants, ensure that their accountants do receive the sufficient updates, etc. As for the students and newly graduates, the Ministry of Education of Georgia shall participate in these projects and review the current syllabus of the universities, renew the books and manuals, negotiate with lecturers and find the way to improve the quality in Accounting and Auditing Faculties country wide.

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Various Primary data gathered via:

- Interview with Temur Partskhaladze- Partner of Georgian Audit and Consulting Company
- Interview with Lavrenti Chumburidze-Executive Director at Georgian Federation of professional Accountants and Auditors
- Focus group and interview with Students in Tbilisi State University



The Analysis of the Tax System of Value Added Tax in Georgia

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Abstract

Payments are one of the main level of the country, which is in a state of a society. Taxes are the country's main state financial plan - the main source of budget revenue. No state can exist without taxes, because on the one hand, they should serve to fill the revenue budget. On the other hand, it is a catalyst and incentive for the employer to be the country's economic, social developments an investment situation in terms of strengthening. The existence of any state consists of three main components: territorial integrity, public authorities and the tax system. "The tax revenue of all system and strengthening the defining attribute are represented by the statehood, state flag and by the national anthem.

Keywords: profit tax, tax system, transformation, income ta

Georgia's tax system has undergone a significant transformation over the past decade. Taxes and rates were reduced, at a glance simplified the tax legislation, but despite the changes, the bills are currently operating and Georgia still carries a heavy tax burden. Taxes and taxation system in the country should serve not only to the central and local budget and to revenue assurance, but it must be some kind of inducement that will support the expansion of business activities in the country. More and more local production of high quality and competitive will be formed, which is a significant increase in the level of the budget revenues. It should be noted that tax revenues in Georgia in the last three years is growing in the systematic trend, namely: the index reached 25.3 % in 2010, 25.2%- in 2011, 25.3%- in 2012, although it is still low, because, the vast majority of foreign countries is average ranging between 30-35%.

Georgia's current tax code provides tax measures: a) General policy and b) Local taxes. In terms of the general state tax collection it is divided into: direct and indirect taxes. Both analyses shows that in recent years, they are characterized by a high rate of tax on income in direct taxes. Their share amounts are between 58-60%

Indirect taxes are important value added tax (VAT) which occupies the first place, according to the budget of the transferred funds. It is the country's territory as an indirect tax on goods, works, services in the process of production and circulation of taxable goods which were brought into this area of the budget is mandatory contribution. For VAT tax purposes- the use of the suggestions raised for the first time in 1919 By Wilhem Von Somens. He demanded that the German tax

system adopted VAT. But, the first VAT –a tax system was first developed in 1954 by French Economist M. Loren and it has been introduced in France since 1958. From here, it has spread to the European Economic Community member state. At present tax system in VAT- is a necessary condition for the existence of the community to enter a certain state. VAT- a tax on the income potentially is connected with the objective magnification. Mainly the VAT government appeals to the states when the tax revenue does not meet any other capacity. However, it is important to notice that VAT should not be used as an instrument of income redistribution. In Georgia VAT was introduced in the budget on March 15, 1992 and since then tax revenue has become one of the main sources. For example –in 2010 48.0% of all tax revenues by more than \$2 billion 203 million. In 2011 48.1% or more than 2 billion 784 million. In 2012, 48.7% or more than 3 billion 070 million was received in the form of value added tax. Value added tax in 2008 there were GEL 2029,9 million. Which is forecast parameter (2069,2 million) to 100 percent. Mobilized funds have been risen 5% from the previous year. GDP- has its share of 10,8 percent. GEL 738,4 million has been raised through tax authorities the forecast parameter (741,4 million) to 100% compare to the previous years it is 9% more. Toward GDP- 3,9 percent is of its shares. By the customs authority lines, there were 1330,6 million has been mobilized. The forecast parameter (1326,8 million) of 100 percent, up 3 percent from the previous year, refuge of all. GDP-has its share of 7 percent.

Vat is used by 80 countries in the world today and is important that the existence of this surcharge in the tax system is considered mandatory condition for entry into the European Union. Mutual funds on a monthly basis transfer

them to the territory of its member states recovered from the tax revenues from 1%. Such a high share of VAT in the entire income tax is not desirable. Because the VAT is the tax, which is determined by the size of this tax when the goods are purchasing at the price set. Therefore, none of the supplies of the goods afford the economic burden. Entire tax burden shifts is to the customers and to the communities. Therefore VAT is called a user fees. The amount of tax which is contained in the price of goods. It does not depend on the number of stages. It just depends on the prices of goods.

In all countries where the VAT is introduced, as a rule, it is estimated as two or three tax rates: standard and high or low standard and high rate of-Luxury Goods. Low rates is used as a number of consumer goods tax. For example, everyday grocery items, but as we have notice high rates are used as luxury goods tax. In EEC countries it is estimated that the VAT standard rate may not be less than 10% ,which the lowest rate of less than 5% VAT-or taxable turnover rate in Georgia is 18% of the amount of import. The above mentioned and other European countries tax policy history and reality of current system shows the VAT –the need for perfection. A number of consumer goods and services, as well as the operations, which does not increase the national wealth and only distribute it, is expected from VAT.

agreement with the staff and their services, which in turn, would register as micro business. From this point of avoiding tax, and instead would have received three new code only 5% of turnover pay, as a small business. VAT applies to higher education as well.

In our opinion, the high r schools will increase tuition fees, which will increase the price of the life of the costumers.

VAT tax rates are to be reviewed in terms of its reduction, because the higher the tax rate, the more unstable will be the tax base.

It is recommended to VAT, the differentiation of certain types of goods and services.

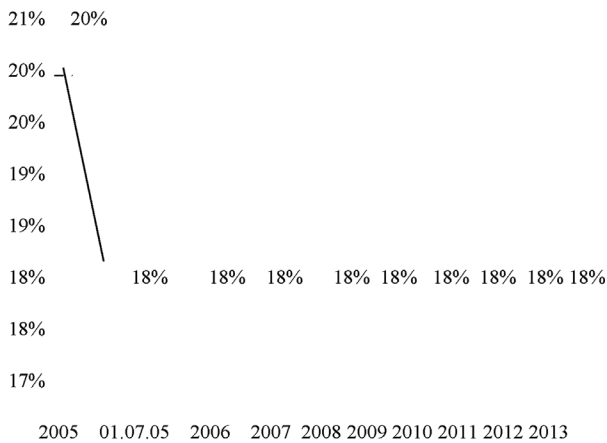
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Value added tax



January 1, 2011 by the Tax Code VAT 200000 up to the limit is not increased .Many segment limit increase was unacceptable. The thing it is that its turnover was 200000 GEL, individuals are no longer. During their work they have to work with VAT taxpayers. Consequently, the increase in the limit would mean that many would ignore this tax. For this reason many entrepreneurs instead of cut would increase the tax.

A quarterly payment VAT was introduced, which is a two-month interest free loan from the medium and large companies. Business will be put off by VAT whose annual turnover is more than 10,000 lari 18% VAT taxable, 100000 limit the amount of the government to leave the mark of the International Finance Corporation and The World Bank experts have advised. Since it was possible to avoid the risk of creating entrepreneurs from taxes. For example, Ltd, whose annual turnover is more than GEL 100,000 and has hired several employees, by operating income and profit tax pays and the dividends are paid by the code 5%.Changes to these cases, if it was registered as individual entrepreneurs and had small business, he would cancel the contract signed

Regulation of Negative Impact on Society by Improvement of Tax Policy

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Abstract

It has been proved that negative impact on society can be regulated by improvement of a tax policy, in particular – through recommendations about specification of taxes on import of automotive vehicles that will provide acceleration of rational formation of fleet of vehicles in the country, protection of the rights of potrebnyel, and an increase of traffic safety and ecological safety .

Keywords: tax policy improvement, regulation, negative influence, tax on import of vehicle

Despite the low level of incomes in Georgia, number of motor vehicles (MV) increases at the expense of import of second-hand MV from Europe. At the same time, structure of vehicle fleet and operation properties of MV can't provide complete protection of consumers' rights. That's why along with growth of vehicle fleet takes place reduction of indices of traffic safety and ecological safety. In near future this problem will become even more complicated and problem of MV scrappage (recycling) will add to it. At present time current normative base of Georgia is not perfect and the most important it is not based on scientifically substantiated research results, and thereby can't provide management and regulation of rational development of vehicle fleet.

Principles of legislative methodology are widely known: laws have to be limited by reality; laws, first of all, must be deeply reasonable and must provide practical benefit; directional rate of taxation should be substantiated and must have direct relation to real value. Law shouldn't destroy the nature of things, feeling of basic meaning and justice, since weak, unjustified law cause damage to legislative system as a whole and is a real time-bomb directed against the state.

According to tax code of Georgia import of motor cars is taxed by excise taxes, but reduction of tax rates in accordance with lowering of operational feasibility is not reasonable, since these taxes give momentum to car owners to purchase and operate MV with more than 6 years of operational feasibility that hinders the process of rational formation of national vehicle fleet.

As analysis shows, according to mentioned tax code, coefficient of excise rate corresponding to operational feasibility for new vehicle is considerably higher than of already used (second-hand) vehicles. According to tax code, amount of tax equals to 0,5-1,5 GEL per one sq. cm of engine capacity. Amount of tax for light motor vehicle of given useful life can be expressed as follows:

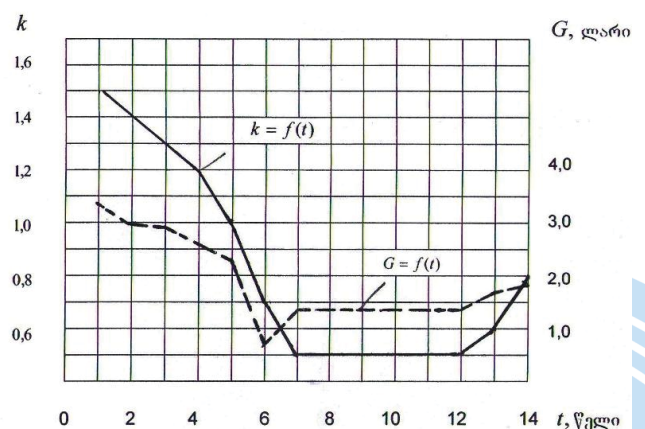


Fig. 1. Dependence of taxation coefficient of light motor vehicle ($v = 2245 \text{ sq.m.}$) and amount of tax G (in GEL) on period of operation feasibility

As is seen from figure, tax curves don't comply with any regularity. For instance, tax rate for motor car being in operation during 1 year is 3400 GEL, while tax rate for motor car being in operation for 12 years is roughly 7-times less and equals to 500 GEL, i.e. tax rate for motor car with deteriorate technical parameters is 7-times smaller than for motor car with better technical parameters. Established tax contradicts to policy of automobile transport development in Georgia, in particular, goes against the increase in its efficiency via promoting the process of rational formation of vehicle fleet corresponding to modern demands taking into account traffic safety and ecological safety.

Furthermore, established tax gives momentum to owners to purchase and import in Georgia motor vehicles which were in operation in foreign countries for prolonged period and which have deteriorate operating and performance characteristics that naturally promotes solution of safety problems in foreign countries, while makes already existing problems of Georgia far deeper. Besides that mentioned standards of the tax code contradict to national policy of automobile transport development, at the same time, existing rules of the tax code further move away Georgia from safety standards of countries of Euro-pean community.

Number of motor cars with period of operational feasibility from 11 to 20 years equals to 47% of total fleet (up to 400,0 thousand units), while with more than 20 year period – 44%. Among them number of “right-hand-drive” motor cars is equal to 13% of total fleet (app . 115,0 thou. units).

Solution of problem made by “right-hand-drive” motor cars became topical in Georgia, where development of road network lags behind up-to-date requirements, while roads are basically two-lane. “Right-hand-drive” motor cars according to their design are meant for movement on the left side and don’t comply with traffic safety requirements in Georgia, where movement is permitted only on the right side. Traffic safety can be provided only in case of sufficient visibility for driver, so it is clear that visibility deterioration is the reason of road accidents (RA).

In order to provide traffic safety it is necessary that driver should increase distance substantially and afterwards carry out motor car speed-up with the purpose of overtaking. But in this case is also necessary to pass to left oncoming lane, while driver anyway doesn’t take information about motor car moving ahead of automobile which have to be overtaken and the most important passing time and distance increase substantially. This fact creates a threat not only to driver of this “right-hand-drive” motor car and passengers, but also to other road users. With the purpose of gap increase driver is forced to reduce movement speed and thereby to provoke driver of car following him in the flow to carry out overtaking. Since due to distance increase takes place increase in interval between motor cars moving in the flow, and driver of motor car following the “right-hand-drive” car is forced to carry out overtaking that in its turn induce increase in number of overtaking in moving motor cars flow or else dangerous maneuvers, that in its turn violates the regularity of transport flow movement, increases fuel consumption and therefore environment pollution by exhaust gases as well as reduces road capacity.

Best conditions for safety of transport flow will be provided, when this motor vehicle moves with flow velocity. Traffic safety decreases in comparison with transport flow velocity not only by increase in motor vehicle speed but also by deceleration.

Visibility zones for „left-hand-drive“ and „right-hand-drive“ motor vehicle drivers are shown on Fig. 2, from where is clearly seen well-defined zone for „right-hand-drive“ motor car.

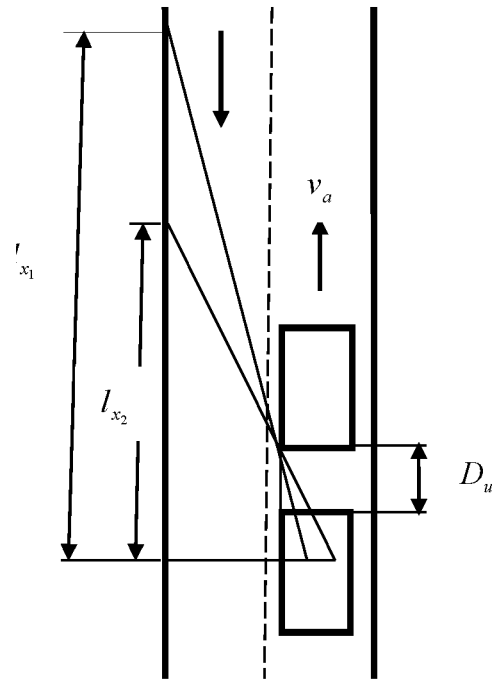


Fig. 2. Visibility zones for motor vehicle drivers, I_{x_1} - „left-hand-drive model“, I_{x_2} - „right-hand-drive model“

Safe overtaking speed depends on transport flow characteristics: transport flow velocity in opposite direction, dynamic overall width of oncoming and overtaking motor vehicles, safe distance between them and visibility distance to oncoming motor vehicles. Depending on these characteristics is calculated minimum value of velocity of safety movement during overtaking a single motor vehicle.

Coefficient of reduction of visibility distance for “right-hand-drive” motor vehicle can be expressed as follows

$$k = g \alpha_1 / g \alpha_2. \tag{2}$$

where α_1, α_2 is an angle between straight line drawn from visual organ of driver’s seat of „left-hand-drive“ or “right-hand-drive” motor vehicle, respectively to the point of outermost upper part of leading motor vehicle, and horizontal line.

As the result of simple calculation shows, when leading and following motor vehicles move at a rate of 60 km per hour, visibility distance for following „right-hand-drive“ motor vehicle reduces by 15-20 %. In case of overtaking road-train 16 m in length, and overtaking „right-hand-drive“ light motor vehicle is 5 m in length, then passing time increases by 3,6 secw that clearly points at the fact that „right-hand-drive“ motor vehicle creates a threat to traffic safety of other road users provoking an emergency situation and sufficiently inhibits traffic safe.

According to Georgian Constitution human’s life is inviolable and is protected by law, everyone has a right to life in environment non-hazardous for health. Georgian Act “On traffic safety” doesn’t unequivocally prohibit operation of “right-hand-drive” motor cars,

but it is mentioned that technical state of motor vehicle participating in the traffic must provide traffic safe .

According to Georgian legislation every owner can own and possess the property (thing), can dispose it if this fact doesn't infringe on third parties rights, if this action is not an abuse of rights, while as abuse of right will be considered such possession of property, which causes damage to others in such way that dominance of owner's interest is not clearly expressed and need for his/her action is unjustified; property use has to be safe for citizens' life, health and environment, while organs of state administration are obliged to stop in case of necessity sale and operation of hazardous production. Safe production is goods or service which doesn't contain risk in case of its normal and rational use", but rational (smart) use of "right-hand-drive" motor car is hazardous production anyway.

So we can make conclusion that regulation of impact of negative phenomena on society must be implemented by means of improvement of tax policy, in particular using recommendations on adjustment of import levy (taxation) of automotive vehicles that will promote acceleration of the process of rational formation of vehicle fleet, protection of consumers' rights, improving the traffic and ecological safety not only in Georgia, but also in Transcaucasus region.

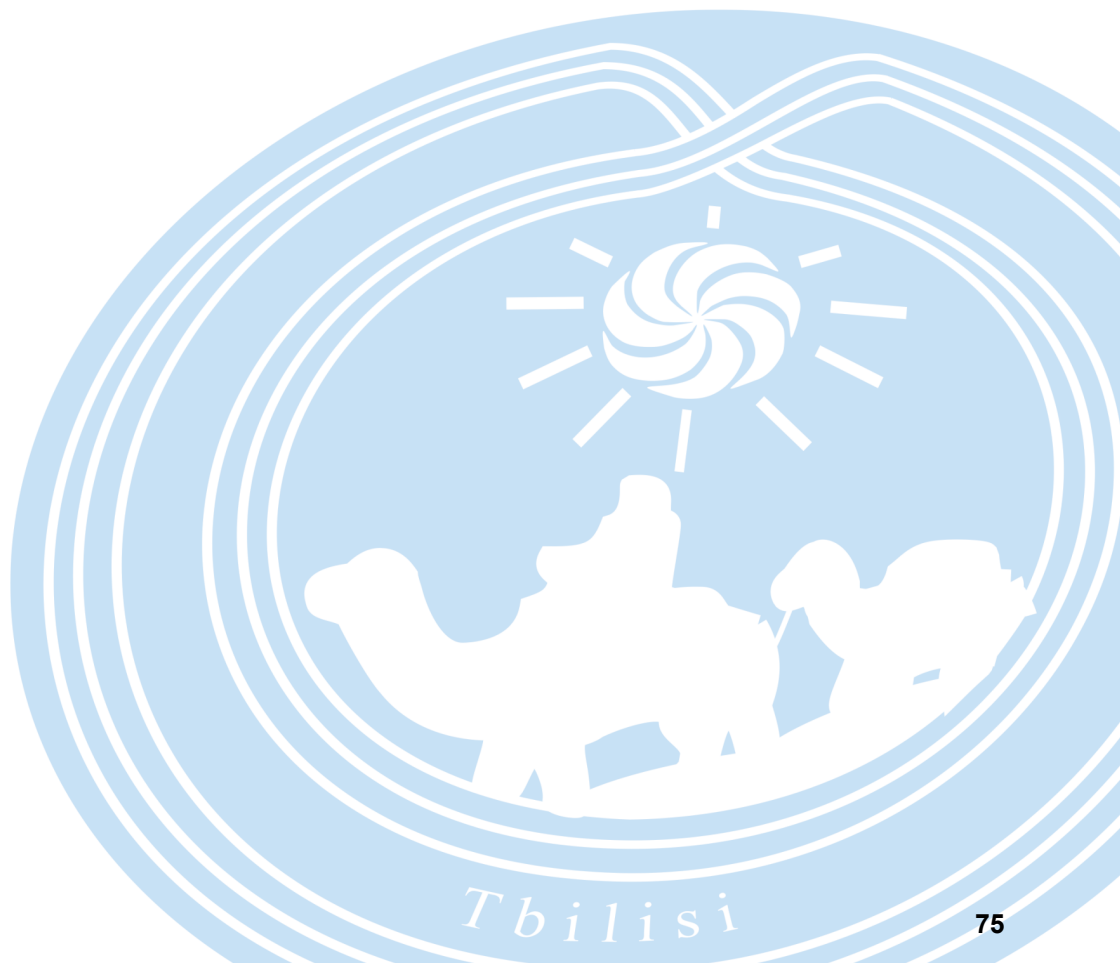
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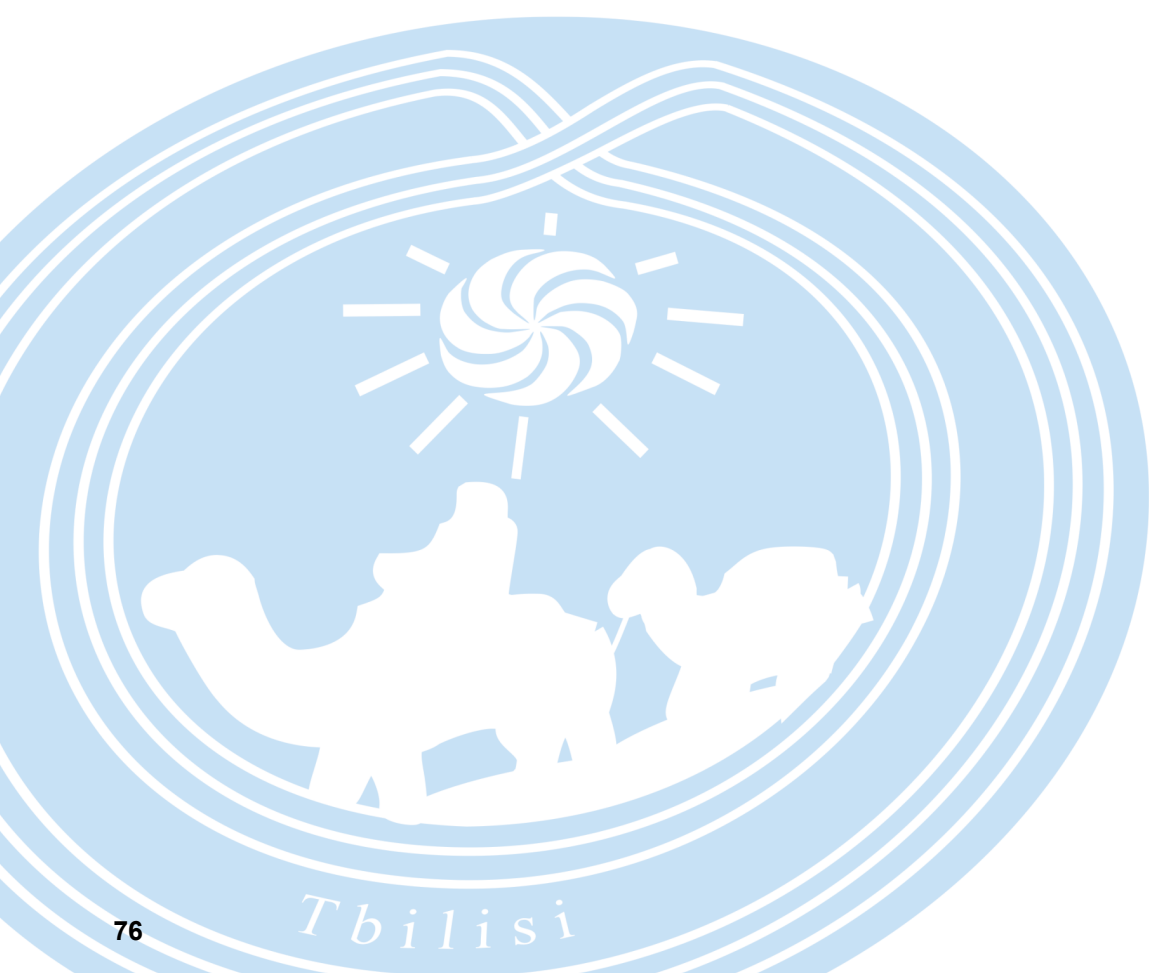
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Employee Motivation Theories: The Case of International Black Sea University

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Abstract

What motivates people to work? This might seem like a silly question to you, thinking the answer is money. However, that is not entirely correct. Interestingly, most people say that they would continue to work even if they did not need money. Although money certainly is important to people, it is not the only thing that motivates us. Motivating the human resources imply more complex issues. Motivated employees are one of the key factors that provide competitive advantage for businesses. Particularly, the staff of higher education institution is a key resource; they account for a significant component of a budget of higher education institution and have a major role to play in achieving the objectives of the institution, thereby having a great impact on the contribution that such institutions can make to society.

The goal of this study is specifically to investigate the features of motivational factors in International Black Sea University for further recommendations. The study examined the ranked importance of motivational factors of employees at International Black Sea University. The findings can be beneficial for International Black Sea University and for other similar educational institutions.

Keywords: job performance, motivation, human resources, incentives, theories of motivation

Introduction

At one time, employees were considered just another input into the production of goods and services. What perhaps changed this way of thinking about employees was research, referred to as the Hawthorne Studies, conducted by Elton Mayo from 1924 to 1932 (Dickson, 1973). This study found employees are not motivated solely by money and employee behavior is linked to their attitudes (Dickson, 1973). The Hawthorne Studies began the human relations approach to management, whereby the needs and motivation of employees become the primary focus of managers (Bedeian, 1993).

I. Concept of Motivation

Many contemporary authors have defined the concept of motivation. Motivation has been defined as: the psychological process that gives behavior purpose and direction (Kreitner, 1995); a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford, Bedeian, & Lindner, 1995); an internal drive to satisfy an unsatisfied need (Higgins, 1994); and the will to achieve (Bedeian, 1993); the process of arousing, directing, and maintaining behavior toward a goal (Greenberg, 2008); the personal "force" that causes you or me to behave in a particular way (Pride, Hughes, Kapoor, 2014) For this paper, motivation is operationally defined as the inner force that drives individuals to accomplish

personal and organizational goals.

II. Extrinsic and Intrinsic Rewards

Extrinsic rewards—usually financial—are the tangible rewards given employees by managers, such as pay raises, bonuses, and benefits. They are called "extrinsic" because they are external to the work itself and other people control their size and whether or not they are granted. In contrast, intrinsic rewards are psychological rewards that employees get from doing meaningful work and performing it well.

Extrinsic rewards played a dominant role in earlier eras, when work was generally more routine and bureaucratic, and when complying with rules and procedures was paramount. This work offered workers few intrinsic rewards, so that extrinsic rewards were often the only motivational tools available to organizations.

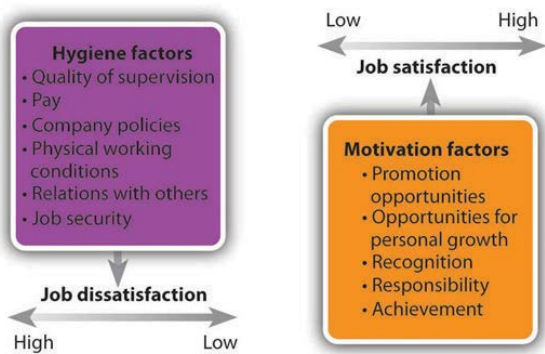
Extrinsic rewards remain significant for workers, of course. Pay is an important consideration for most workers in accepting a job, and unfair pay can be a strong demotivator. However, after people have taken a job and issues of unfairness have been settled, we find that extrinsic rewards are now less important, as day-to-day motivation is more strongly driven by intrinsic rewards.

III. Theories of Motivation

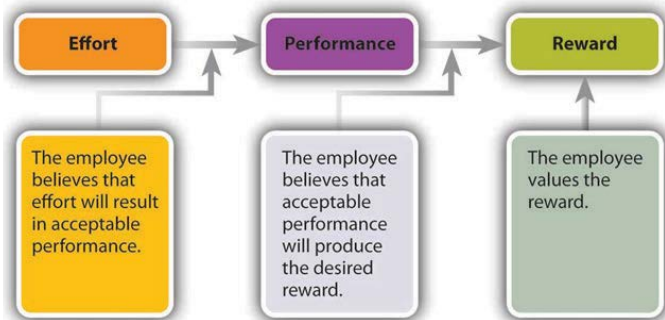
Understanding what motivated employees and how they were motivated was the focus of many researchers. Six major approaches that have led to our understanding of motivation are Maslow's need-hierarchy theory, Herzberg's two-factor theory, Skinner's reinforcement theory, Adams' equity theory, Vroom's expectancy theory and Goal-setting theory.

According to Maslow, employees have five levels of needs (Maslow, 1943): physiological, safety, social, ego, and self-actualizing. Maslow argued that lower level needs had to be satisfied before the next higher level need would motivate employees.

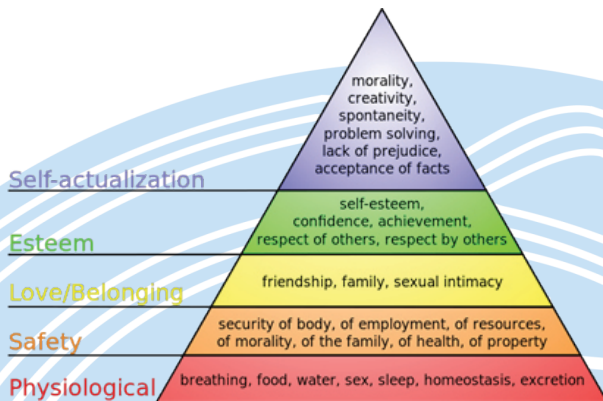
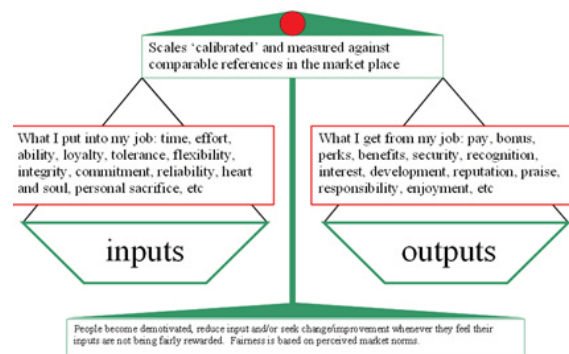
Herzberg's work categorized motivation into two factors: motivators and hygiene (Herzberg, Mausner, & Snyderman, 1959). Motivator or intrinsic factors, such as achievement and recognition, produce job satisfaction. Hygiene or extrinsic factors, such as pay and job security, produce job dissatisfaction.



Vroom's theory is based on the belief that employee effort will lead to performance and performance will lead to rewards (Vroom, 1964). Rewards may be either positive or negative. The more positive the reward the more likely the employee will be highly motivated. Conversely, the more negative the reward the less likely the employee will be motivated.



Adams' Equity Theory diagram - job motivation



Goal-setting is a powerful way of motivating people. In fact, goal-setting theory is generally accepted as among the most valid and useful motivational psychology, human resource management, and organizational behavior. Goal-setting involves establishing specific, measurable, assignable, realistic and time-targeted (S.M.A.R.T) goals. Goal-setting theory of motivation suggests that employees are motivated to achieve goals that they and their managers establish together (Pride, Hughes, Kapoor, 2014)



IV. Contemporary Views on Motivation

Maslow's hierarchy of needs and Herzberg's motivation-hygiene theory are popular and widely known theories of motivation. However, they do have one weakness: each attempts to specify what motivates people, but neither explains why or how motivation develops or is sustained over time. In recent years, managers have begun to explore three other models that take a more dynamic view of motivation. These are equity theory, expectancy theory, and goal-setting theory.

Adams' theory states that employees strive for equity between themselves and other workers. Equity is achieved when the ratio of employee outcomes over inputs is equal to other employee outcomes over inputs (Adams, 1965).

V. The Role of Motivation

Why do we need motivated employees? The answer is survival (Smith, 1994). Motivated employees are needed in our rapidly changing workplaces. Motivated employees help

organizations survive. Job performance of motivated employees is rather higher. To be effective, managers need to understand what motivates employees within the context of the roles they perform. Of all the functions a manager performs, motivating employees is arguably the most complex. This is due, in part, to the fact that what motivates employees changes constantly (Bowen & Radhakrishna, 1991). For example, research suggests that as employees' income increases, money becomes less of a motivator (Kovach, 1987). Also, as employees get older, interesting work becomes more of a motivator.

VI. Research Purpose

The purpose of this study was to describe the importance of certain factors in motivating employees at International Black Sea University. Specifically, the study sought to describe the ranked importance of the following motivating factors: (a) Appreciation letters/talks (b) incentive awards (c) recognition, (d) promotion (e) good wages. The study also asked question about job security, interesting work, working culture of the organization, working conditions, level of staff involvement in managerial decision making, perspectives of growth within the organization and so on. All these questions were asked to respondents in order to evaluate the working atmosphere and the satisfaction of employees with the Top management's current strategy. Additionally, an open question – "What would you change in Top Management's current strategy?" was asked in order to collect the attitudes of IBSU employees, providing quite good insights for further recommendations.

VII. Results and Discussion

The ranked order of motivating factors was:

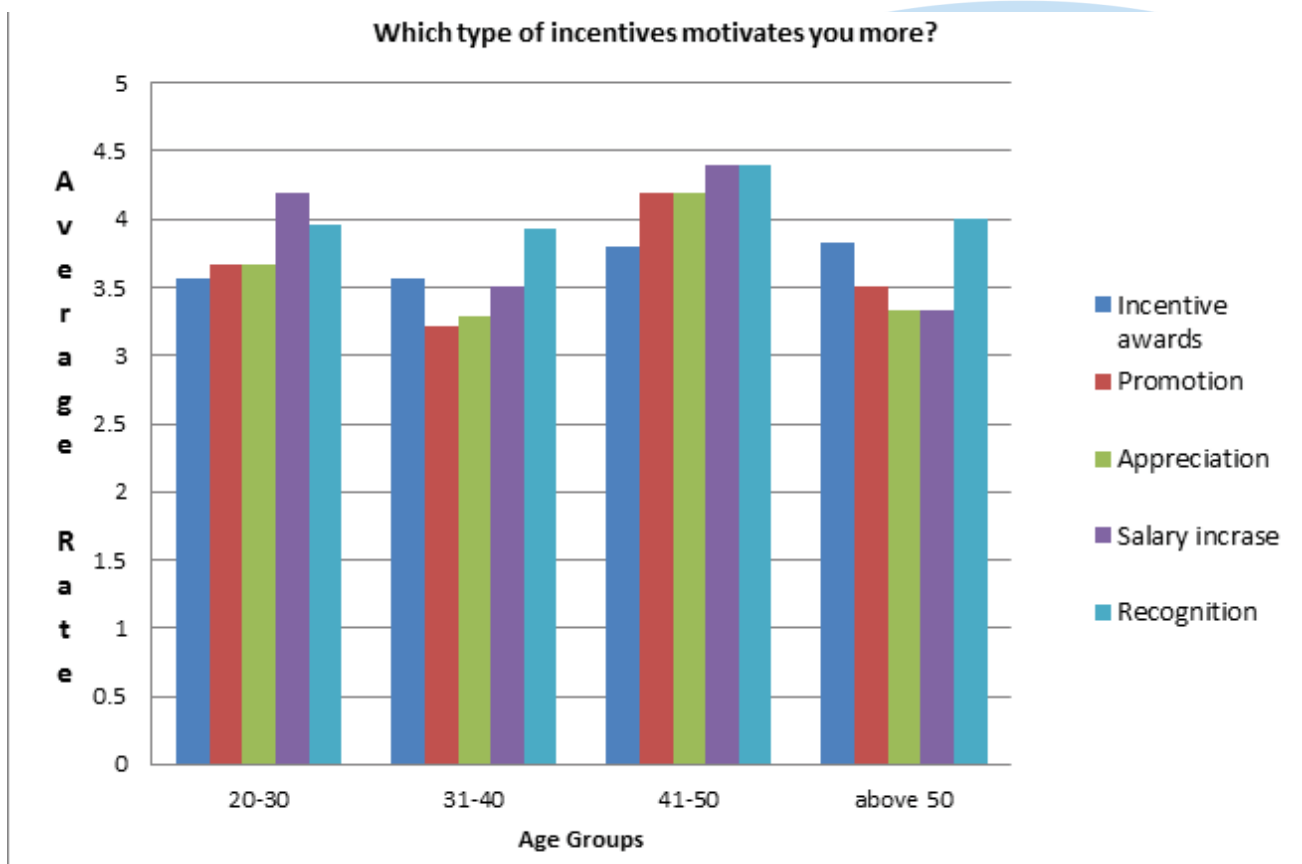
- i. Recognition (45%)

- ii. Salary increase (31%)
- iii. Incentive awards (24%)
- iv. Appreciation (16%)
- v. Promotion (9%)

A comparison of these results to Maslow's need-hierarchy theory provides some interesting insight into employee motivation. The number one ranked motivator, recognition, is an esteem factor. The number two ranked motivator, salary increase, is a physiological factor. Therefore, according to Maslow (1943), if managers wish to address the most important motivational factor of IBSU's employees esteem factors must first be satisfied. If managers wished to address the second most important motivational factor of universities' employees, good pay, increased pay would suffice. Contrary to what Maslow's theory suggests, the range of motivational factors is mixed in this study. Maslow's conclusions that lower level motivational factors must be met before ascending to the next level were not confirmed by this study.

The following example compares the third and fourth highest ranked motivational factors (incentive awards and appreciation) to Adams's equity theory. If an employee at the university feels that there is a lack of appreciation or incentive awards for work done, as being too low relative to another employee, an inequity may exist and the employee will be dis-motivated. Further, if all the employees at the university feel that there is a lack of appreciation and incentive awards for work done, inequity may exist. Adams (1965) stated employees will attempt to restore equity through various means, some of which may be counter-productive to organizational goals and objectives. For instance, employees who feel their work is not being appreciated may work less or undervalue the work of other employees.

This next example compares the two highest motivational factors to Herzberg's two-factor theory. The highest ranked motivator, recognition, is a motivator factor. The sec-



and ranked motivator, salary increase is a hygiene factor. Herzberg, Mausner, & Snyderman (1959) stated that to the degree that motivators are present in a job, motivation will occur. The absence of motivators does not lead to dissatisfaction. Further, they stated that to the degree that hygienes are absent from a job, dissatisfaction will occur. When present, hygienes prevent dissatisfaction, but do not lead to satisfaction. In our example, the lack of recognition (motivator) for the IBSU's employees would not lead to dissatisfaction. Paying IBSU's employees lower wages (hygiene) than what they believe to be fair may lead to job dissatisfaction. Conversely, employees will be motivated when their work is recognized but will not necessarily be motivated by higher pay.

Finally, comparison of our study results to the goal-setting theory emphasized the evidence of importance of this factor at the university. Goal-setting theory suggests that rewards should be tied directly to goal achievement (Pride, Hughes, Kapoor, 2014) Using goal-setting theory a manager can design rewards that fit employee needs, clarify expectations, maintain equity, and provide reinforcement. A major benefit of this theory is that it provides a good understanding of the goal the employee has to achieve and the rewards that will accrue for the employee if the goal is accomplished.

The discrepancies in different research findings supports the idea that what motivates employees differs given the context in which the employee works. What is clear, however, is that employees do not rank wages as the most important motivational factor.

VIII. Implications for IBSU

The ranked importance of motivational factors of employees at the university provides useful information for the IBSU's management and employees. Knowing how to use this information in motivating IBSU's employees is complex. The strategy for motivating university's employees depends on which motivation theories are used as a reference point. If Herzberg's theory is followed, management should begin by focusing on pay and job security (hygiene factors) before focusing on recognition and full appreciation of work done (motivator factors). If Adams' equity theory is followed, management should begin by focusing on areas where there may be perceived inequities (pay and full appreciation of work done) before focusing on promotion and job security. If Vroom's theory is followed, management should begin by focusing on rewarding (pay and interesting work) employee effort in achieving organizational goals and objectives.

Regardless of which theory is followed, recognition and employee pay appear to be important links to higher motivation of university's employees. Options such as goal-setting, job enlargement, job enrichment, promotions, monetary, and non-monetary compensation should be considered. Job enlargement can be used (by managers) to make work more interesting (for employees) by increasing the number and variety of activities performed. Job enrichment can be used to make work more interesting and increase pay by adding higher level responsibilities to a job and providing monetary compensation (raise or stipend) to employees for accepting this responsibility. These are just several examples of an infinite number of methods to increase motivation of employees at IBSU. The key to motivating university's employees is to know what motivates them and designing a motivation program based on those needs.

The effectiveness of IBSU is dependent upon the motivation of its employees. Knowing what motivates employees and incorporating this knowledge into the reward system will help IBSU identify, recruit, employ, train, and retain a productive workforce. Motivating IBSU's employees requires

both managers and employees working together. IBSU's employees must be willing to let managers know what motivates them, and managers must be willing to design reward systems that motivate employees. Survey results, like those presented here, are useful in helping IBSU managers determine what motivates employees. If properly designed reward systems are not implemented, however, employees will not be motivated.

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Threat of Excessive Government Intervention and Regulatory Restrictions Faced by Financial Service Industry after the Financial Crisis

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Abstract

Recent financial crisis has particularly raised the controversy around the role of the government in dealing with the economic crisis and its responsibility or capability to rectify market failure by introducing sustainable public policies. Whether it was massive increase in spending for health care and low-income families or tax cuts and local government subsidies, governments all around the world have been forced to intervene with unprecedented degree in the market to stimulate the economy.

However, there is a strong argument that government intervention could be more damaging to the economy as a whole for long term, since it always becomes the subject of short term political point scoring and wrangling. Certainly governments face enormous challenges to figure out what the public desires, aggregating the preferences of millions of citizens into a coherent set of policy decisions. However, governments may be motivated not just by correcting market failures or redistributing the income, but with politically motivated interests of individual groups elected for short period of political cycle. Just as there are a host of market failures that can interfere with the welfare-maximizing outcome from the private market, there are a host of government failures that can lead to inappropriate government interventions.

The degree of government intervention in the economy is to be understood in both "boom" and "bust" times as well as the political economy of the processes to establish robust public policies in administering public finances.

Keywords: Public Finance, Public Policy, Government Intervention, Economic Activities, Sustainability

Introduction

The global financial crisis that began in August 2007 and spread throughout the most advanced economies has rigorously tested the credibility and reliability of western style financial service industry. An initial liquidity issues caused by growing mistrust between financial institutions, prompted solvency crisis due to the difficulties to raise the funds on the market freely. Finally massive shrinkage of credit extension for the real economy, led to the deepest recessions since the Great Depression of 1930s.

Re-building the stable, well functioned and reliable financial industry has become the cornerstone for the western world. Arguably, self-sufficient market discipline didn't live up to its exaggerated expectations, as unprecedented human nature of greediness overwhelmed free market ideology. Politicians, legislators and regulators have found themselves under immense pressure to come up with swiping reforms to clean up the mass left by reckless financiers. However many underestimated the size, complexity and global nature of the problems embroiled in financial service industry.

The objective of this paper is to understand what the future holds for global financial service industry in terms of regulations and government intervention threats, especially after the financial crisis of 2008. Implications of financial service industry deregulation of 1980s are analyzed along with the role of the industry for overall economic development and challenges faced in the form of state intervention and overregulation.

I. Financial Service Industry

The financial markets are critical to overall development of the economy. It has been compared to the brain of the human which guarantees smooth and effective flow of the blood-money in to the main artery-economy. If and when the financial markets fail, the consequences are not limited only to a poor performance of the industry but it does have a profound effect on the performance of entire economy.

Financial service industry is the segment of a national economy which encompasses the flow of capital. This includes banking services, business, personal and mortgage lending, stock, commodity, currency market exchanges, financial and investment services, etc. Effective banking systems and flexible stock markets enhance overall growth of the economy. Strong financial systems provide reliable and accessible information that lowers transaction costs, which in turn bolsters resource allocation and economic growth. Thus well-functioning and healthy financial sector is the essential for sustainable growth to support the short term activities as well as to allocate the resources efficiently for the long term development.

I.1 Liberalization of financial market

There is a growing body of opinion that roots of 2008 crisis has to be traced back to the massive deregulation of the financial industry in the US, the UK and Western Europe. Prior to deregulation, investment banks, commercial banks, insurance companies, building societies or brokers were

restricted to operate only in their own spare of operations. There have been geographical restrictions for example in US where financial institutions were constrained to be active in certain states or in Europe where countries were restricted to operate only within their territory. There were tight control on cash and capital ratio and especially the percentage of depositors' funds used for lending.

From 1960s, massive deregulation of financial industry swept away government regulatory controls and free up the financial market. The decades long liberalization concluded with the final nail in the confine, as Clinton's administration repelled probably the most critical regulatory legislation, Glass-Steagall Act in 1999. The Act was adopted by than, newly elected Roosevelt administration, in 1933, which separated commercial and investment banks and established crucial federal "safety net" mechanism in response to severe financial market turmoil, stock market crash, record numbers of bank failures and the deepest economic depression of all the time.

1.2 Benefits of Financial Service Industry liberalization

Financial Service industry deregulation has significantly increased the ability of financial markets to allocate international capital resources efficiently. It also triggered massive growth in financial transactions which eventually resulted in restructured, more competitive and cheaper financial services industry. The liberalization of financial operations and rapid innovations have encouraged healthy competition and substantial efficiency as capital markets have become more liquid, the cost of financial intermediation has fallen, new risk minimization techniques have improved the scope for active asset and liability management.

Deregulation also contributed on cross-border market integration across the world and especially across the Europe. There were decades of unprecedented cross-country flow of capital, portfolio diversification opportunities and huge expansion of foreign-owned institutions. Financial institutions found fairly easy to fund private and public sector deficit across the borders through the wholesale market borrowings. There has been a strong growth in the number of cross-border subsidiaries and branches. Expansion of existing establishments resulted in heightened banking competition in domestic markets.

1.3 Failure of free market

Free market environment where regulations and state involvement remain minimal, market forces should produce the stability of the system. The market price provides information which guides decision makers towards scarce resources while on self-regulatory competitive market strong and efficient survives and weak dies. The market discipline should incentivize participants, in this case, financial institutions to limit themselves from capital and liquidity risks.

However one might argue that it was the same market discipline, market prices and market pressure which probably led to one of the most devastating financial crises. This brings reasonable question of how valid or sustainable the free market ideology still is in twenty-first century. Stiglitz believes massive deregulation brought too much freedom in financial service industry. Excessive greediness of the human nature with inevitable consequences of moral hazard dangers have probably underlined the reality that financial markets have to be regulated by the state to some extent.

II. The future of Financial Industry

II.1 Government intervention

Joseph Stiglitz, Nobel Prize economist believes that deregulation of US financial service industry and liberalization of capital market caused US made trauma, to spread all around the world. Admittedly, self-regulated financial market failed dramatically. The response to market failure was massive government intervention to remedy the problems. Short term measures to address liquidity, nationalization and bankruptcy issues restrained the crisis from spreading and increased the confidence in the system. But the worry is, governments are tempted to go feather with much tougher and damaging approach which might result in inefficient, overregulated and distorted market economy.

This brings the critical argument back again, whether the Glass-Steagall Act with its original form has to be brought back fully or partially. For instance, Paul Volker, former chairman of Federal Reserve called for the return of Glass-Steagall Act and has questioned the benefits of financial innovation for the economy. Especially controversial idea of breaking-up the large universal banks by some governments or at least some wings of political establishments goes probably way too far to aggressively intervene in to the free market ideology. Long term implications of excessive state involvement in the market, as government all around the world attempt to correct market failures, might lead to serious inefficiencies and less effective market environment which in turn could be even more damaging for the economy in general.

But, one might argue that free market ideology has already been distorted when governments of most of the western countries intervened aggressively and saved the virtually bankrupt institutions. Should the RBS, Lloyds, Halifax, AIG, Merrill Lynch and many other major financial institutions have shared the fate of Lethem Brothers as the free market principles dictate? Or we as the society especially after 2008 crisis simple have to admit that the concept of free market and underlined principles have changed.

II.2 Politics of state regulation

Politicians usually are not fond of free, self-regulated financial market concept since it deprives the power of the decision makers over the economic policies. Historically almost all governments have tried to interfere into economic operations to correct market failures. But ironically political establishments very often tend to over-regulate rather than under regulate the market hindering the competition and efficient market operations.

The failure of financial industry and the necessity of its reforms are hot political issues in many western countries nowadays. The massive anger and outcry of the public towards the banking industry does not give much comfort to the governments, as decisive and fundamental reforms are urged. Many politicians have fallen into the trap of supporting dramatic financial regulations including dismantling the large universal banks. However, this blind support might probably be more politically opportunistic move from some leftist part of the political establishments. Once again it might be politically motivated point scoring campaign to feed public anger, just as it was back in 1930s, when banks seriously messed up and prompted the stock market crash, followed by the longest depression and Roosevelt's administration respond to separate the commercial and investment banks completely.

The history might be repeating itself and we should probably learn more from the past rather than present, since

we might have been here, in this particular cross road before. Conflicts of interest, abused power, restricted competition and threat to stability of the system were the allegations, exactly the same we hear today which eventually prompted the passage of the Glass-Steagall Act in 1933. However based on decades' long analysis, the most scholars or politicians would agree that it was more politically motivated decision to please the public rather than to target the roots of the financial industry problems.

II.3 Issue of Globalization

Globalization has dramatically reduced the influence and power of any individual states, literally surrendering the power to the growing forces of free market. Liberalization of the trade and unprecedented information technology revolution paved the way of financial markets globalization. Massive deregulation has significantly reduced the board lines of individual countries making entire world economy ever more tightly interconnected, integrated and interdependent.

Governments' contradictory political and bureaucratic approach towards regulatory system has been blamed for the failure of financial industry. However even if more government intervention is to be regarded way forward on the expanse of less free market, effectiveness of particular state regulatory tools and techniques are questionable. The financial institutions simple have become too big and thus too risky. The balance sheet of the banks have grown so enormous that the failure of those institutions could bring down the whole system as no individual state might have ability to bail them out.

This underlines the need for more effective and powerful global authority to exercise at least some form of control over multinational financial institutions. As former governor of Bank of England, Mervyn King discussed the problem, Global banking institutions are global in life, but national in death. That is when crises occur it is national central banks which have to provide lender-of-last-resort support and national government to provide fiscal support.

Conclusion

There is no doubt that 2008 financial crisis is to change the landscape of financial service industry profoundly. Liberalization of financial industry prompted unprecedented decades long growth of world economy. Thus the benefit and legacy of financial revolution of 1980-90s has probably been significantly discounted by the drama of losses sustained in the collapse of an economic boom or financial bubble. But admittedly, too much freedom has probably beleaguered many financial institutions, their complacent managers and state regulators, exposing once again excessive greedy nature of the human.

But should these mandate unreasonable and damaging restrictions on financial industry? As the blood of human body, financial industry has the critical role to revitalize the economy and recreate the path for the growth. Thus considerable degree of freedom is essential for financial institutions to innovate and rebuild efficient economic system.

The role of politics can not be also underestimated here, since the policymakers usually are against the free, self-regulating market condition as they try to claw back the power. So as the role of the globalization since extensive encouragement of cross-boarder and cross-cultural development of the business operations made financial institutions so big and powerful that no individual state has real

capability to enforce the effective control over the industry. Thus proposed political initiatives to curtail the freedom of the financial industry at individual country level could actually be counter effective, as more global articulated approach is required. I believe the Glass-Steagall Act which separated universal banks 75 years ago, is the history and should remain the history since the 1933 Great depression the world of business change profoundly and so did the inner workings of the financial industry.

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Strategic Directions of Tourism Development

(Based on reports and recommendations of the Hague Declaration)

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Abstract

Tourism expenditures bring direct income as it involves many sectors of the economy - it creates job opportunities in fields that are directly or indirectly related to tourism, it procures the inflow of foreign currency and state revenues, promotes small business development in regions where is not a stand for trade and industrial market.

Strategic goals and long-term prospects for the development of tourism in Georgia are: economic growth via tourism development, creating competitive advantage for Georgian touristic products in the global market. According to strategic objectives of tourism development the prioritized directions of tourism industry are: the development of domestic tourism; inbound tourism promotion and stimulation; renovated tourism infrastructure; training and re-coaching of professionals; legislative framework formation and its harmonization with EU legislation; Georgia -- the country of tourists' image creation and public propaganda both within and outside the country

Keywords: tourism, revenues, expenses, employment, environment.

According to UNWTO World Tourism Organization 2013 data, total export revenues of international tourism reached to 4 trillion US dollars. Income gained by international tourist centers from international visitors increased by 5% and reached to 1,159 trillion US dollars. The increase is caused due to the growth of revenues from international tourists. In 2013, the number of travelers has increased by 5% compared to the last year and reached to 1,087 billion tourists. Consequently, in 2013 the share of travel and tourism in the world economy grew by 3.1%.

total volume of GDP (growth - 3,0%) - 2.2 trillion US dollars. It for the last three years grew more rapidly than the overall economic growth of the world, and was preceded by a number of global sectors, such as manufacturing, retail, financial and business services. In 2013, the World Tourism revenues reached to 7.0 trillion US dollars, exports - 1.3 trillion US dollars (growth - 5.4%), while the investment in 754 billion US dollars (growth - 4.4%), compared to the previous years about 1.8 increased the working places and reached to 266 million. In total employment of the world from 11 workplace 1 is employed in tourism. [3] The share of our country in world tourism is very small, but it is the fact that international tourism brings benefits to the country. [1]



Diagram 1. Flows of International Tourists 1995-2013 (Million)
Resource: UNWTO World Tourism Barometer, 2013

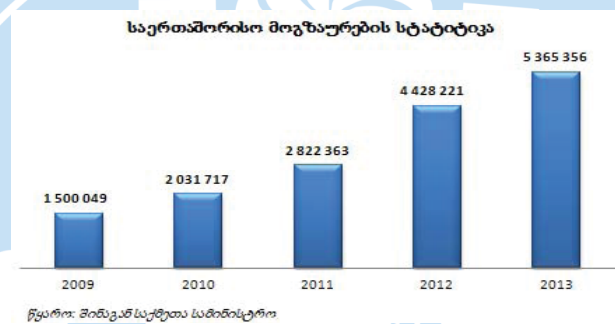


Diagram 2. Statistics of International Tourists

In 2013, the share of tourism in world GDP was 9.5% of the

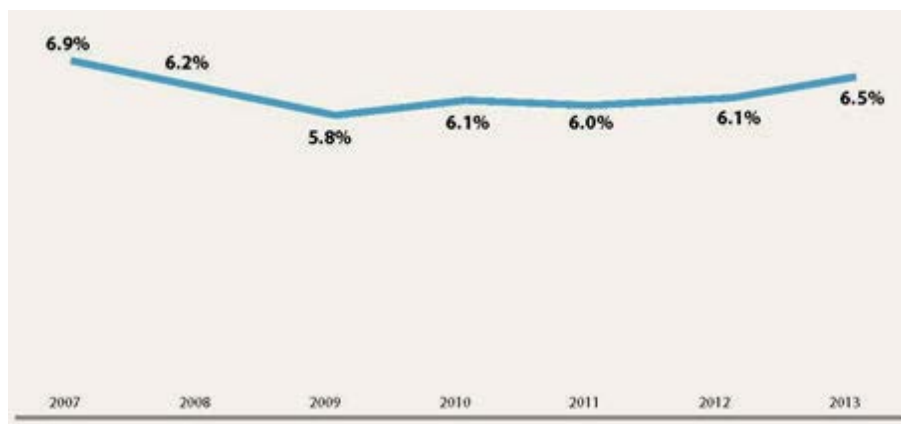
Nevertheless we must not forget that the pursuit towards profit through the negative impact on ecology, cultural heritage and other strategic resources can not be allowed.

Currently, in total volume of tourism expenditure there

Table 1. Revenues from International Tourism - 2006-2013 (Thousands in \$)

	2006	2007	2008	2009	2010	2011	2012	2013
Total	312570.9	383745.8	446646.0	475889.0	659245.3	954908.5	1410901.7	1719699.8
I term	58597.2	63889.6	85434.3	77676.3	100685.8	163989.8	235930.4	302817.7
II term	82760.9	90174.2	132430.9	114353.3	136565.1	222249.6	330826.5	426524.5
III term	101743.0	125886.9	125883.1	158388.4	231913.4	326568.5	487721.4	604201.8
IV term	69469.8	100595.1	102897.6	125470.9	190081.0	242100.6	356423.4	386155.8

Resource: *Georgian Tourism in Figures, Structure & Industry Data, 2013*

**Diagram 3.** Tourism Share in GDP

Resource: Office of National Statistic

is the large share of domestic travelers, therefore, greater is their contribution to the economic prosperity and employment at national, regional and local levels. In addition, the development of domestic tourism is the main factor to facilitate social contacts and expand human understanding. [4,5]

In general, the development of domestic tourism contributes to the creation of tourist infrastructure and raising staff knowledge, which is the prerequisite for the development of tourism through international tourism industry involvement. Maintained cultural and natural sites and national traditions attract tourists and contribute to multiple trips. Funds spent by tourists maintain the economic base for country's environment and culture.

Tourism growth in conditions of non-controlling situations or in cases of having no development plan may cause a possible conflict among the tourists and the local population in social, cultural and economic differences, monotony of tourists behavior and demands may lead to negative impact on host country's cultural diversity and local identity. [4, 5]

Today, the demand on tourism in our and other countries has a vivid seasonal nature. Demand grows in some months, that is due not only because of climate, and the desire of tourists to travel, but also by current national legislation, which regulates workers' annual paid vacations and periods of school holidays. Accordingly, tourism providing countries should take more effective measures aimed at direct and rigid share of holidays whatsoever to lift seasonal berrages while travelling (the lack of places, delays at airports, border points, etc.), as well as the negative impact on employment in tourism related jobs, facilitation of travel and security formalities must be taken into consideration [4,5]

National tourism industry in most countries is highly

fragmented and consists of small tourist products and services to manufacturers, who suffer from a lack of capital. Therefore there is felt discrepancy between the increase and grown international touristic supply (international tour operators, airlines and hotels). All levels and all State bodies, especially parliaments, should be actively involved in tourism development to create favorable conditions, because the current situation in tourism industry in countries and requires more support.

It is necessary to provide comprehensive legal framework for tourism, which is related to different sectors, in particular, transport, health, agriculture, communications, etc. Overall, government through legislative ways implying national development priorities, must ensure both domestic and international tourism analysis, coordination, facilitation and regulation. Countries should determine their own national priorities and the role of tourism in the hierarchy of priorities, respectively, within the priorities of tourism development strategy. Among other things, the strategy should be defined in relation to domestic and international tourism. We should consider the capacity of the destination as well as the role of state, regional and local organizations [4,5]

The main part for tourism development in the country is scientific research activities and practical steps related to tourism which ensures the effective and beneficial development of touristic potential within and outside country.

Touristic legislation should be based on three aspects a) The protection of tourists; B) Protecting country's natural environment and preservation of cultural identity C) Development of tourism. Tourism policy makers and scientific organizations must co-operate in order to maintain natural cultural resources. [4,5]

Considering the above mentioned, Georgia's tourism

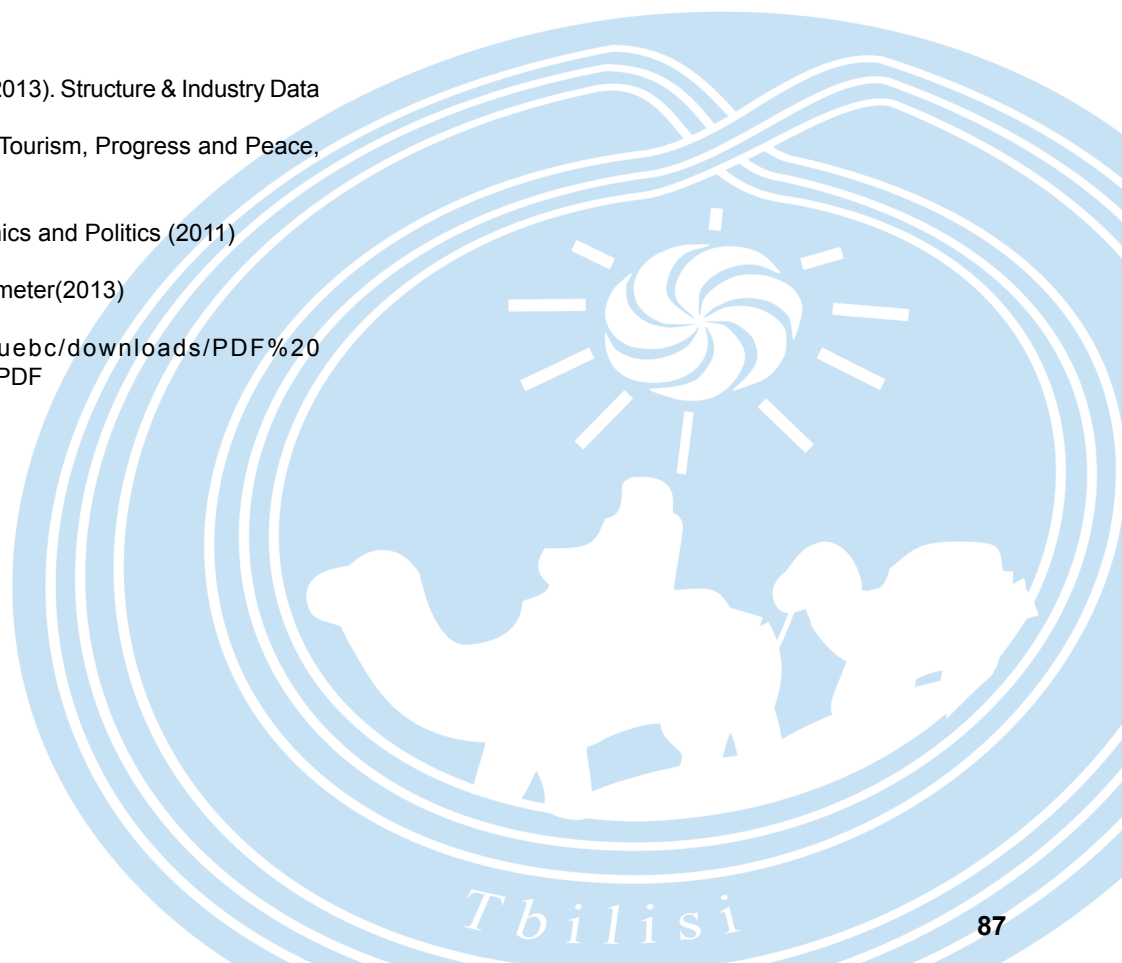
development policy measures are a) Working out tourism development strategies and policy directions; B) Updating the legal base of tourism (To change old one and create new one); C) Georgian touristic products competitiveness in the global market D) Destroying the information vacuum and active participation in touristic events (Tourism Development component); E) The establishment of a new segment and its extension; F) In tourism ecology recognition as the basis of economy G) Re-training of professionals in tourism and raising the level of education H) Support to IT technologies development (Georgia's declaration as a touristic destination country, public awareness); I) Ensuring implementation of tourist safety and security activities. [4]

Consequently, strategic goals and long-term prospects for the development of tourism are: economic growth of Georgia through tourism development and creating competitive advantage for touristic products in the global market. According to strategic objectives of tourism development the prioritized directions of tourism industry are: the development of domestic tourism; inbound tourism promotion and stimulation; development of tourism infrastructure; training and re-coaching of professionals; formation legislative framework and its harmonization with EU legislation; Georgia's as the country of tourists' image creation and public propaganda both within and outside the country.

The overall development of tourism has a great importance not only economically, but also for the promotion of the country, for its history, cultural heritage and traditions. The development of domestic tourism in the country will guarantee the unity of regions. Tourism development policy must ensure the development of the vision (national traditions, values and trends), as tourism as an interdisciplinary complex must become the basis for the country's economic development. [4]

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Analysis of EU Financial Supports towards Turkey via PESTLE

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Abstract

Turkey has a candidate status to become a member of the EU. In this context, Turkey has been receiving pre-accession assistance from the EU since 2001, under the Turkish Financial Instrument. The initial objective of EU financial support towards Turkey was the extension of an area of peace, stability and prosperity within and beyond Europe. The amount of EU funds to Turkey had risen to 4.9 billion euros by the end of 2013. Technical and financial assistance to the Enlargement countries was through the Instrument for Pre-accession Assistance (IPA) 2007-2013. The IPA II (2014-2020) is designed to create a single framework and to unite under the same instrument both Candidate and Potential Candidate Countries, thus, facilitating the transfer from one status to another. The aim of this study was to evaluate EU funds towards Turkey via PESTLE (Political, Economic, Social, Technological, Legal and Environmental point of view) Analysis. Secondary data were used in the study.

Keywords: PESTLE Analysis, IPA, IPA II, EU, and Turkey

Introduction

Turkey is located at the crossroads of Asia and Europe. It is surrounded by the Mediterranean Sea, Aegean Sea, Sea of Marmara and the Black Sea. Turkey has borders with eight countries (Greece, Bulgaria, Iran, Iraq, Syria, Armenia, Russia and Georgia). Due to its geographic position, Turkey has shoulder important regional role between east and west. On the other hand, the EU is an opportunity for Turkey's economy and to achieve social and political reforms. Therefore, since 1959, Turkey has wanted to join to the EU as full member.

Ministry of Foreign Affairs of Turkey explains history of Turkey-EU relations like "A Long and Narrow Road". Turkey applied for associate membership of the European Economic Community (EEC) in September 1959. Ankara Agreement was signed between Turkey and the EEC in 1963. Association agreement lasted 23 years. Turkey applied for full membership of the European Community (EC) in 1987. Turkey signed a "Customs Union" with the EC in 1995. In December 1999, the EU Helsinki Council recognised Turkey as an EU candidate country on an equal footing with other candidate countries. Accession negotiations started in October 2005.

The main goal of the EU financial assistance to Turkey, is to enhance the institutional capacity, the quality of legislation, the quality of implementation of the legislation so as to make it possible to integrate easily to common policies (like social policies, development, rural policies) when she became a full member of EU.

The aim of this study was to evaluate EU funds towards Turkey via PESTLE (Political, Economic, Social, Technologi-

cal, Legal and Environmental) Analysis.

I. Benefitting of Turkey from the EU Financial Assistance

1.1. Financial Assistance before Candidacy (1964-1999)

Turkey has used totally 1 billion euro financial assistance that majority of them were credit during the period 1964–1995. Amount of financial assistance used by Turkey was nearly €755,3 million during the period 1996–1999. In addition, Turkey has benefitted from funds granted in the context of MEDA (Mediterranean Economic Development Area) Programme in 1990s. During the period 1996–1999, €376 million was allocated to Turkey for 55 projects. In addition, in the context of EUROMED, €205 million credit was given to Turkey for the period 1997-1999.

1.2. After being an EU Candidate Country (2000-2006).

The EU recognised Turkey as an EU candidate country in December 1999. In the past, the EU provided support to Turkey under a variety of financial instruments, including CARDS (2001-2004), PHARE and ISPA (2005-2006) as well as SAPARD (2006) (European Commission, 2010).

Table 1. IPA (2007-2013) Funds for Candidate and Potential Candidate Countries

Country	IPA (2007-2013) (Million €)	Population (2006)	Per Capita (€)	%
Croatia	998	4 443 000	225	10,0
Macedonia	615	2 039 000	302	6,2
Turkey	4 795	72 520 000	66	48,2
Albania	595	3 149 000	189	6,0
Bosnia Herzegovina	656	3 843 000	171	6,6
Montenegro	236	624 000	378	2,4
Serbia	1 386	7 425 000	187	13,9
Kosovo	635	2 070 000	307	6,4
Iceland (*)	30	---	---	0,3

(*) Iceland has been receiving financial assistance since 20 1
Source: Ministry for EU Affairs (2013).

Table 2. EU Grants, Bodies and Number of Projects

Rank	Body	Number of Contracts	%	Grant Amount (€)	%
1	SME	654	20,27	47 767 998,55	11,86
2	Association	640	19,84	51 835 422,90	12,87
3	Municipality	369	11,44	100 808 670,01	25,03
4	Chamber	360	11,16	39 128 741,05	9,72
5	Foundation	232	7,19	24 771 156,75	6,15
6	University-College	169	5,24	24 263 782,30	6,02
7	Union	121	3,75	17 879 459,47	4,44
8	Villages Service Union	108	3,35	21 765 629,76	5,40
9	Special Provincial Administration	78	2,42	19 613 276,07	4,87
10	Cooperative	74	2,29	6 224 781,44	1,55
11	Vocational High School	69	2,14	8 796 896,10	2,18
12	Farmer Group	65	2,01	5 311 118,70	1,32
13	Other	57	1,77	6 502 095,49	1,61
14	Primary School	56	1,74	4 353 001,52	1,08
15	Trade Union	48	1,49	6 697 821,24	1,66
16	Public Body	38	1,18	5 904 338,09	1,47
17	Mukhtarship	35	1,08	4 894 667,70	1,22
18	Public Education Center	33	1,02	3 858 852,02	0,96
19	High School	8	0,25	903 641,33	0,22
20	Guidance and Research Center	4	0,12	314 857,43	0,08
21	Pre-school	4	0,12	276 081,67	0,07
22	Development Agency	4	0,12	883 346,12	0,22

Source: CFCU (2014a)

1.3. IPA (2007-2013)

During the period 2007-2013, nearly €4.795 billion was allocated to Turkey but this amount is very low compared to other countries according to amount of population. The EU funds provided to Turkey under IPA were only €66 per capita (Table 1).

According to Database of the Central Finance and Contracts Unit (CFCU) in Turkey, totally 3226 EU grant projects were carried out by various bodies. Totally €402,755 million were distributed to governmental organisations, NGOs, SMEs, etc (Table 2).

IPA (2007-2013) was designed to provide financial assistance to Turkey through five components: i) transition assistance and institution building, ii) cross-border cooperation, iii) regional development, iv) human resource development and v) rural development (IPARD). The IPA expired on 31 December 2013. Grant Contracts signed by government-

tal and non-governmental organisations and SMEs under different programmes were given in Table 3.

Except for call for projects of the CFCU, IPA funds were also implemented in Turkey via three multi-annual operational programmes. The objective of the "IPA Environment Operational Programme (EOP)" was to improve environmental protection and living standards for the population of Turkey by supporting investments in the environment infrastructure sector (Table 4). Examples of major projects are follows (European Commission, 2012):

- Ordu Wastewater Treatment Plant (EU contribution: €19 million),
- Ceyhan Wastewater and Stormwater (EU contribution: €19 million),
- Erdemli Water and Wastewater (EU contribution: €11 million),

Table 3. Grant Contracts Signed Under Different Programmes

Programmes	Duration (month)	EU Funds (€)	No of Project
Bridges of Knowledge	10,61	2 061 340,65	28
Civil Society Dialogue: EU-Turkey Chambers	11,68	2 248 788,39	22
Civil Society Dialogue-II: Micro Grant	3,65	276 576,84	57
Civil Society Dialogue II: Culture and Arts Grant Scheme	12,21	2 221 068,51	19
Civil Society Dialogue II: Fisheries and Agriculture Grant Scheme	13,87	2 796 219,82	23
Civil Society Dialogue Programme	15,24	19 294 805,56	119
Civil Society Dialogue: EU-Turkish Chambers Forum II Grant Scheme	11,81	2 520 000,00	21
Cross Border Cooperation-2003	9,67	456 190,20	9
Cross Border Cooperation-2004	9,00	462 646,11	13
Cross Border Cooperation-2005	9,15	454 242,63	13
Cross Border Cooperation-2006	9,59	620 666,90	17
Cultural Rights	8,80	1 462 633,38	25
Democratic Citizenship and Human Right Education Grant Scheme	13,74	2 343 248,53	31
Developing Civil Dialogue among NGOs	7,65	761 620,31	23
Eastern Anatolia Development	10,70	29 047 351,96	309
Eastern Black Sea Development	11,24	18 000 000,00	213
Empowering Civil Participation at Local Level	6,52	190 595,00	23
Empowerment of Women and Women NGOs in the Least Developed Regions	11,53	2 951 901,74	36
EU-Turkey Intercultural Dialogue-Museums Grant Scheme	11,67	1 928 592,16	21
EU-Turkey Intercultural Dialogue: Culture and Arts	11,47	1 712 272,21	17
Euro-Med Youth III Programme	3,80	317 071,85	10
GAP Flood Mitigation	13,22	11 799 999,87	37
Improved Integration of Disabled Persons into Society Grant Scheme	11,83	1 704 040,26	23
Increasing School Enrolment Rates Especially For Girls	12,00	8 348 944,18	89
ISKUR 2002	10,41	23 967 487,22	245
ISKUR 2006	11,40	11 996 116,03	101
Istanbul 2010	12,00	1 443 617,53	11
Joint Operational Programme "Black Sea 2007-2013"	21,95	6 158 164,41	39
NGO 2003	11,45	483 719,16	11
NGO 2005	10,68	5 277 641,30	93
NUTS-II AKKM	9,48	64 294 978,95	510
NUTS-II SKE	9,61	36 205 649,61	396
Promoting of Women's Employment	12,00	20 829 781,54	135
Promoting Registered Employment	12,00	7 920 002,93	42
Promoting Youth Employment	11,80	20 662 469,60	128
Promotion of Life Long Learning	11,67	4 247 254,00	45
Social Dialogue	9,08	1 672 732,67	26
Strengthening Civil Society	7,33	499 836,23	21
Strengthening Civil Society-2004	5,44	675 356,24	34
Strengthening Capacity of National and Local NGOs on Combating Violence Against Women Grant Scheme	16,60	2 969 935,47	20
Strengthening Pre-School Education Grant Scheme	12,00	4 971 711,45	75
Supporting Civil Society	5,53	399 997,69	47
Sustainable Development	9,43	912 015,89	23
VOC-Test Centres Grant Scheme	22,58	6 618 993,68	26

Source: CFCU (2014b)

Table 4. IPA Environment Operational Programme

Priority	IPA Contribution (€) (A)	National co-financing (€) (B)	Total funding (€) (C=A+B)	Co-financing rate (%) (D=A/C)
Priority 1: Improved delivery of drinking water and wastewater services	280 141 600	49 436 753	329 578 353	85
Priority 2 : Improved integrated solid waste management	120 060 400	21 187 131	141 247 531	85
Priority 3 : Technical Assistance	16 498 000	2 911 414	19 409 414	85
Total (2007-2011)	416 700 000	73 535 298	490 235 298	85

Source: European Commission (2012)

Table 5. IPA Transport Operational Programme

Priority	IPA Contribution (€) (A)	National co-financing (€) (B)	Total funding (€) (C=A+B)	Co-financing rate (%) (D=A/C)
Priority 1: Improvement of Railway Infrastructure	277 350 000	48 838 235	326 188 235	85
Priority 2: Improvement of Maritime Infrastructure	49 800 000	8 788 234	58 588 234	85
Priority 3: Technical Assistance	12 000 000	2 117 642	14 117 642	85
Total (2007-2011)	339 150 000	59 744 111	398 894 111	85

Source: European Commission (2012)

Table 6. IPA Regional Competitiveness Operational Programme

Priority	IPA Contribution (€) (A)	National co-financing (€) (B)	Total funding (€) (C=A+B)	Co-financing rate (%) (D=A/C)
Priority 1: Improvement of Business Environment	255 593 000	45 104 654	300 697 654	85
Priority 2: Strengthening of Enterprise Capacity and Foster Entrepreneurship	31 865 000	5 623 240	37 488 240	85
Priority 3: Technical Assistance	12 192 000	2 151 534	14 343 534	85
Total (2007-2011)	299 650 000	52 879 428	352 529 428	85

Source: European Commission (2012)

Table 7. PESTLE Highlights

Factors	Examples and Explanations
Political Landscape	<ul style="list-style-type: none"> * Preparation of 10th Development Plan of Turkey in the direction of IPA II * Try to achieve Copenhagen political criteria (stability of institutions guaranteeing democracy)
Economic Landscape	<ul style="list-style-type: none"> * Economic integration with the EU * Improvement of the Farm Accountancy Data Network (FADN). * IPA Regional Competitiveness Operational Programme * Upgrading agri-food establishments to EU standards
Social Landscape	<ul style="list-style-type: none"> * Participating the Lifelong Learning and Youth in Action programmes (reaching more than 60 000 beneficiaries in 2012) * Involvement of more than 1 600 Civil Society Organisations (CSOs) in Turkey to the EU-Turkey Civil Society Dialogue programmes. Continued support is a common priority between the EU and Turkey with IPA II (2014-2020). * Increasing social conditions of rural people via IPARD
Technological Landscape	<ul style="list-style-type: none"> * Strengthening research and innovation capacity of Turkey in line with the European Research and Innovation Union flagship initiative. * Entering of Turkey into the Seventh Framework Programme for Research and Technological Development
Legal Landscape	<ul style="list-style-type: none"> * Effective implementation of transposed EU legislation through appropriate administrative and judicial structures is a prerequisite of the mutual trust required by EU membership.
Environmental Landscape	<ul style="list-style-type: none"> * IPA Environment Operational Programme * Since the 1990s, ecological policies in Turkey have been undergoing reforms as they are driven by the environmental legislation of the EU

- Manavgat Water and Wastewater (EU contribution: €17,8 million).

- Dogubayazit Drinking Water Supply (EU contribution: €28 million).

The overall objective of the “IPA Transport Operational Programme (TOP)” was to improve the competitiveness, safety and quality of the transport infrastructure sector in Turkey (Table 5). Major projects were (European Commission, 2012):

- Ankara-Istanbul High Speed Line Project: Kosekoy-Gebze section (EU contribution €120 million).

- Rehabilitation and Signalisation of Irmak - Karabuk - Zonguldak Railway Line (EU contribution €188 million).

The overall objective of the “IPA Regional Competitiveness Operational Programme (RCOP)” was to increase the competitiveness of the poorest regions of Turkey by supporting enterprises. This objective was achieved through four specific objectives: enhancement of physical and financial infrastructure, increasing business stock, increasing employment creation capacity of the productive sector and enhancing the added value of the production base (Table 6). Major project was (European Commission, 2012):

- Greater Anatolia Guarantee Facility (EU contribution €32 million, total loans €500 million).

1.4. IPA II (2014-2020)

The IPA II regulation came into force on 16 March 2014 and is applicable retroactively from 1st January 2014. It sets a new framework for providing pre-accession assistance for the period 2014-2020. It targets reforms within the framework of pre-defined sectors. These sectors cover areas closely linked to the enlargement strategy, such as democracy and governance, rule of law or growth and competitiveness. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results. IPA II also allows for a more systematic use of sector budget support. Finally, it gives more weight to performance measurement: indicators agreed with the beneficiaries will help assess to what extent the expected results have been achieved (European Commission, 2014).

The EU will concentrate its assistance on selected priority areas in the following sectors: 1) Governance and Public Administration Reform, 2) Judiciary, Home Affairs and Fundamental Rights, 3) Environment, 4) Transport, 5) Energy, 6) Competitiveness and Innovation, 7) Education, Employment and Social Policies, 8) Agriculture and Rural Development, and 9) Cross-border Cooperation (CBC) and Regional Cooperation (Strategy Paper for Turkey, 2013).

A positive agenda for EU-Turkey relations was launched in May 2012, aiming at supporting the accession negotiation process, in line with the Negotiating Framework and the relevant Council conclusions. This agenda with relevance for IPA covers a broad range of areas of common interest, including alignment with the *acquis*, political reforms, visas, mobility and migration, fight against terrorism, energy, and participation in Union Programmes.

II. PESTLE Highlights

While doing analysis of EU funds allocated to Turkey, PESTLE Analysis was used. The PESTLE Analysis is a tool that is used to identify and analyze the key drivers of change in the strategic or business environment. The abbreviation stands for Political, Economic, Social, Technological, Legal, and Environmental factors (Dcosta, 2011). Scientific papers, official statistics, documents of Central Finance and Contracts Unit (CFCU) in Turkey, Delegation of the European Union to Turkey, etc were used in the study as secondary data.

The 10th Development Plan (2014-2018) explains Turkey's development objectives and defines strategic priorities in all areas that are relevant for IPA support.

Turkey is the seventeenth biggest economy in the world in 2012. GDP in current prices reached €613 billion in 2012 and the GDP per capita amounted to 8,208 EUR. However, disparities are high across regions - Istanbul has a GDP per capita which is 55% above the national average, whereas three regions (NUTS II) comprising ten provinces have GDP per capita less than half of the national average (2010). Concerning access to education, disparities are still considerable especially in eastern and south eastern provinces with lower enrolment rates for girls at advanced levels of compulsory education. In 2012, with 3,2%, participation in lifelong learning (LLL) activities in Turkey is well below the EU average (in 2012) (Strategy Paper for Turkey, 2013).

Interventions in the fields of education, skills and lifelong learning shall aim at: promoting equal access to quality early-childhood, primary and secondary education; reducing early school-leaving; adapting vocational education and training (VET) systems to labour market demands; improving the quality and relevance of higher education; enhancing access to lifelong learning and supporting investment in education and training infrastructure; particularly with a view to reducing territorial disparities and fostering non-segregated education (Official Journal of the European Union, 2014).

Turkey has seen double-digit growth in the information and communication technology (ICT) market between 2002 and 2007, and an increased number of skilled scientists are currently returning to the country to benefit from opportunities offered to them by the EU (DATAMONITOR, 2008). Turkey has also entered into the Seventh Framework Programme for Research and Technological Development.

The EU-Turkey Civil Society Dialogue programmes continued and have now involved more than 1 600 Civil Society Organisations (CSOs) in Turkey. They contributed to civil society development and a greater recognition of CSOs at local level and helped to increase the capacities, partnerships and visibility of individual CSOs. Still, more effort is needed if the programmes are genuinely to promote sustainable contacts between EU and Turkish CSOs (European Commission, 2013).

The government of Turkey has taken several steps to implement policies with the objective of improving the social benefits provided to its people. The country initiated an Instrument for Pre-Accession Assistance for Rural Development (IPARD) program in December 2007 to improve social conditions in settlements and regional centers. The government intends to allocate funds to improve agricultural holdings and the overall performance and competitiveness of the food processing industry along with the role of manufacturer groups in agricultural markets (DATAMONITOR, 2008).

PESTLE Highlights of EU Financial Assistance towards Turkey were summarised in Table 7.

Conclusion

Since 1959 Turkey has been close cooperation with the EU. At the moment it is a candidate country to become a full member to the EU. Before joining to the EU, Turkey must bring its institutions, administrative and judicial systems up to EU standards. Therefore, between 2001 and 2006, Turkey benefitted from EU funds under National Programmes each year. Between 2007 and 2013, EU financial assistances were allocated to Turkey in the context of IPA. From 2014 onwards, Turkey will receive EU financial assistances according to IPA II (2014-2020) regulations. In the past, governmental and non-governmental organisation and SMEs had lack of knowledge on project preparation but today organisations have experience on project preparation and implementation. These lead to allocation of financial assistances to true objectives and solution of problems in different sectors and also increase standards to the EU levels. Therefore, project management capacity of the institutions/organisations should be increased. In addition, civil society should play active role during the implementation of IPA II in Turkey.

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Underpricing of Initial Public Offerings and Determinants of Short-Term Performance: Evidence from Turkey

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Abstract

Price increases or high positive returns of common stocks, that are issued through initial public offerings, in the first trading day is called underpricing. Underpricing of stocks in initial public offerings or leaving money on the table is one of the important research topics in finance literature. In this study, the existence of underpricing in the initial public offerings of Turkish companies, issued and traded in Borsa Istanbul between 2005 and 2013, is investigated. In this framework, initial public offering performance in the short run and the factors that affect this short run performance are tested. Although it is not as high as the underpricing determined in developed markets, results show that there is underpricing in the initial public offerings of Turkish companies. Return on total assets and total assets turnover rate positively and significantly influence short term initial public offering performance.

Keywords: initial public offering, underpricing, short-term stock performance, Borsa Istanbul, Turkey

Introduction

Corporations that need capital for growth may issue their shares of stock to the public to raise capital. First sale of shares to the public by corporations who do not have previously floated shares is called initial public offering (IPO). IPO is a difficult and very important process for the issuing corporation. Therefore, corporations that are on the way to go public take consultancy services from investment banks to prepare necessary documents, apply to the responsible governmental authority, publicize the issue and finally set the issue price. Determining issue price is extremely important in that if the issue price is set very low, issuing company lose the opportunity to sell the stocks at an higher price and leave too much money on the table; on the other hand, if the issue price is set high, all of the shares will not be able to sold and issuing company will end up with loss of funds and prestige. Because of its importance, IPO performance is one of the subjects that have been studied extensively in the finance literature by researchers.

Vast majority of the previous studies reached the result that there is underpricing in IPOs in the short run (McGuinness, 1992; Loughran and Ritter, 2004; Cheng et al., 2004; Vong, 2006; Vong and Trigueiros, 2010; Chorruck and Worthington, 2010; Liu and Ritter, 2011). There are several explanations to IPO underpricing phenomenon. One of them is that investment banks are forcing issuing corporations to underprice in order to be successful in IPO and increase their reputation. Investment banks are arguing that underpricing is necessary to convince investors to purchase stocks and to keep advertising costs low (Baron, 1982, p. 956). The IPOs provided 24% average return in first day of trading in U.S. during 1993 – 2008 (Liu and Ritter, 2011, p. 2). Another explanation to IPO underpricing is that corporations aim to increase investors' interest to new offerings in the future. As

corporations issue a small percentage of their capital in IPO, cost of underpricing is not that high (Loughran and Ritter, 2004, p. 7-8).

The purpose of this study is to investigate short term price performance of IPOs in Turkey over the period 2005 – 2013. Moreover, factors affecting underpricing are also searched. Although there are many studies that take into account performance of IPOs in developed countries, there is very little number of articles that investigate IPOs of Turkish firms. This study contributes to the literature about IPOs in developing countries. There is literature review about IPOs in the second section. Third section comprises data about IPOs in Turkey, analysis method and results. Fourth section concludes.

I. Literature Review about IPO Performance

There are many studies that analyze the performance of IPOs in the short run and factors that influence short term performance. Most of the studies concluded that there is underpricing in the very short run (stock prices increase in the first trading day after IPOs)

Baron (1982) develops a model of underpricing. He proves that if the issuer is less informed about the capital markets, the issuer must compensate the banker for the use of his information. Therefore, the offer price is set below the first-best offer price indicating that new issues would be underpriced when the banker is better informed than the issuer.

Loughran and Ritter (2004) determined that underpricing in IPOs realized as 15% during 1990-1998 period and jumped to 65% during internet bubble years of 1999-2000 and decreased to 12% during 2001-2003 period. They attribute higher underpricing to three factors: changing risk composition, realignment of incentives and a changing issuer objective function. Increased riskiness of firms, that are going public, required higher underpricing. Managerial incentives to reduce underpricing have decreased over time because of reduced CEO ownership etc. Issuers paid underwriters through implicit cost of underpricing and executives of issuing firms accepted underpricing because of hot IPOs that would be allocated to them by the underwriter in the future.

Boonchuaymetta and Chuanrommanee (2013) investigated factors affecting underpricing in Thailand. They found that IPO allocation to institutional investors and length of lock up period are the key determinants of underpricing. The issue size, the industry, and the hot issue market also significantly influence initial returns

Kiyamaz (2000) analyzed IPO performance of Turkish stocks in various sectors during the period 1990 – 1996. His results revealed that the Turkish IPOs are underpriced on initial trading day on average of 13.1%. He also argued that size of the issuer, rising stock market between the date of public offering and first trading day, institutional ownership, and self-issued offerings were significant determinants of underpricing.

Orhan (2006) investigated underpricing in Istanbul Stock Exchange for 18 sectors for the period 1996-2005. His analysis showed that half of the sectors provided negative first day return. He argued that this contradicting IPO performance result was due to several economic crises Turkey experienced during the analysis period.

Yalçınır (2006) analyzed IPOs first day performance in Istanbul Stock Exchange for the period 1997-2004. His results revealed that Turkish stocks provided 7.2% abnormal return on average, on the first day and he concluded that there was underpricing in Turkish stocks. He also tested some factors' influence on IPO underpricing but he could not find any significant relationship

Unlu and Ersoy (2008) also investigated IPO performance in the Istanbul Stock Exchange listed companies for the period 1995-2008. Their results showed the existence of underpricing of 6.52% based on the first trading day's closing price. They also concluded that underpricing was higher in companies more than 20 years old and in companies that issue stocks at fixed price

II. Data, Methodology and Results

In this study, the existence of underpricing in the IPOs of Turkish companies, issued and traded in Borsa Istanbul between 2005 and 2013, is investigated. Moreover, factors affecting underpricing are also examined. Borsa Istanbul (BIST), initially named as Istanbul Stock Exchange, started to operate with 40 listed corporations at the beginning of 1986. BIST has memberships in international federations and associations such as World Federation of Exchanges, Federation of Euro-Asian Stock Exchanges, Federation of European Securities Exchanges and International Capital Market Association (Borsa Istanbul Official Website). BIST has five markets which are equity market, emerging companies market, debt securities market, futures and options market and precious metals and diamond market. Equity market has also eight submarkets which are national mar-

ket, collective products market, secondary national market, watch-list companies market, primary market, wholesale market, rights coupon market and free trade platform.

BIST has been developing in all aspects such as number of listed corporations, daily trading volume, total market capitalization of listed companies, number of markets etc. since its establishment. Number of companies listed in BIST reached to 422 by January 2014. Total market capitalization of BIST companies is \$280.28 billion by November 2013. 62.6% of publicly traded shares are owned by foreigners (CMB Monthly Statistics Bulletin, November 2013). Its daily trading volume is \$ 1.46 billion by the end of January 2014 (Borsa Istanbul Daily Bulletin, January 31, 2013). BIST Equity Market is 33rd in the world based on market capitalization by the end of 2013 (World Federation of Exchanges).

II.1. Data

Our study covers all IPOs except securities investment trusts during 2005-2013 period. 114 corporations issued their shares through IPOs in the analysis period. However, one of them bankrupted and therefore it is not possible to reach its data. Therefore, our sample includes data of 113 corporations. Summary information is provided about those companies in Table 1 below.

As shown in Table 1, total proceeds provided from 113 IPOs during the period 2005-2013 is 10.58 billion dollars. Highest numbers of IPOs are accomplished in 2011 and 2012 with 26 IPOs in both years. However, highest proceeds were provided in 2007 with 3.29 billion dollars. There isn't any IPO on the global crisis year of 2008.

II.2. Methodology

First of all, first day returns of IPO companies are calculated by utilizing the following formula:

$$R_{i,t} = (P_{i,t} / P_{i,IPO}) - 1$$

where $R_{i,t}$ represents the return of stock "i" at the end of first trading day t, $P_{i,t}$ is the closing price of stock "i" at the end of first trading day t and $P_{i,IPO}$ is the offer price of the same stock.

Secondly, BIST 100 Market Index return is calculated in the same day by utilizing the following formula:

$$R_{m,t} = (P_{m,t} / P_{m,t-1}) - 1$$

where $R_{m,t}$ is the return of the BIST 100 Index on day t, $P_{m,t}$ is the closing price of the BIST 100 Index on day t. $P_{m,t-1}$ is the closing price of the BIST 100 Index on previous day.

Later on, market index return is subtracted from IPO company stock return in order to find excess return of the IPO company in its first trading day with the following formula:

$$ER_{i,t} = R_{i,t} - R_{m,t}$$

As a last step, first day excess return is regressed with some measures of issuing company such as return on assets, total assets turnover rate, debt ratio, age of issuing company, net income, cash flows from operations, number of shares issued etc.

In Borsa Istanbul, there is a daily price change limit to prevent over fluctuation. Based on this restriction, stock

Table 1. *The Sample of IPOs in Turkey*

Year	Number of IPOs	Aggregate Proceeds	
		Million Dollar	%
2005	4	465	4.39
2006	9	919	8.68
2007	7	3,288	31.07
2008	1	1,873	17.70
2009	0	0	0.00
2010	22	2,104	19.88
2011	26	833	7.87
2012	26	346	3.27
2013	18	755	7.14
Total	113	10583	100.00

Table 2. *Descriptive statistics results*

Variable	N	Mean	Std. Dev.	Min	Max
1 st Day Excess Return (%)	113	6.09	9.85	-17.49	31.55
10 Days Excess Return (%)	113	10.36	29.09	-52.76	160.55
ROA	113	0.06	0.10	-0.18	0.49
Total Assets Turnover Rate	113	2.71	8.89	0.00	62.47
Net Income (Million TL)	113	55.5	260	-5.83	2550
Debt Ratio	113	0.36	0.26	0.00	1.00
Number of Issued Shares (millions)	113	29	82.9	0.29	625

Table 3. *Correlation analysis*

Variables	V1	V2	V3	V4	V5	V6	V7
V1 1 st Day Excess Return	1						
V2 10 Days Excess Return	.67**	1					
V3 ROA	.21*	.06	1				
V4 Total Assets Turnover Rate	.19*	.24**	-.11	1			
V5 Net Income	-.03	-.04	.19*	-.05	1		
V6 Debt Ratio	-.06	-.12	-.27**	.01	.10	1	
V7 Number of Issued Shares	-.04	-.07	.09	-.06	.74**	.10	1

**p<0.01; *p<0.05

prices can increase or decrease about 10% in each session, or can change about 20% daily. Therefore, first day return may not reveal all of the underpricing. That is, stock prices may continue to increase for a couple of days. For this reason, besides first day excess return, 10 trading days' excess returns of issuing firms are also calculated by utilizing the same procedure and formulas above. Moreover, 10 days' excess returns of IPO companies are also regressed with above mentioned IPO firm measures.

Data screening process is very crucial during the statistical analysis. Therefore, missing data analysis was provided initially. Firms with many missing values were eliminated from the analysis; as well, multiple imputations were applied in order to replace the missing values. Following the missing data analysis, influential multivariate outliers were removed by calculating the Mahalanobis d-squared values. In further data cleaning process, logarithmic transformation was applied to the non-normal variables to stabilize variance as well as to make the data more normal distribution-like.

II.3. Results

The descriptive statistics results were presented in Table 2. Aforementioned; the sample size of the study is 113 firms. According to the results, the average excess return on first trading day was 6.09% with a standard deviation of 9.85%, while the excess return for 10 days was 10.36% with a standard deviation of 29.09%. Additionally, the average return on assets was 6%, total assets turnover rate was 2.71, and the debt ratio was 36%. Finally, the average net income was 55,500,000 Turkish Liras (TL) and the average number of issued shares was 29,000,000.

Table 3 provides the Pearson correlation coefficients results. There is a positive and significant relationship between first day excess returns and 10 days excess returns ($r = 67\%$; $p < .01$), there is also a positive and significant correlations between excess return for one day and ROA ($r = 21\%$; $p < .05$) as well as total assets turnover rate ($r = 19\%$;

$p < .05$). It is also clear that there is a significant association between excess return for 10 days and total assets turnover rate ($r = 24\%$; $p < .01$). Additionally, ROA had a positive and significant relationship with net income ($r = 19\%$; $p < .05$) while it had a negative and significant association with debt ratio ($r = -27\%$; $p < .01$). Finally, net income and number of shares issued showed a strong, positive and significant association ($r = 74\%$; $p < .01$).

The following models were established for the study:

Model 1:

$$ERETURN1_i = \beta_0 + \beta_1 DRATIO_i + \beta_2 ROA_i + \beta_3 TATRATE_i + \beta_4 LNSHARES_i + \beta_5 LNINCOME_i + \varepsilon_i$$

Model 2:

$$ERETURN2_i = \beta_0 + \beta_1 DRATIO_i + \beta_2 ROA_i + \beta_3 TATRATE_i + \beta_4 LNSHARES_i + \beta_5 LNINCOME_i + \varepsilon_i$$

In order to determine the relationships of the given models, robust regression analysis was performed. Robust regression analysis works by fitting the regression initially, then calculates the Cook's distance (D), as a result it excludes any observation which had a distance greater than ($D > 1$). Table 4 illustrates the regression results. The first model represents the excess return for one day (dependent variable) and the second model shows the excess return for 10 days (dependent variable). According to the results, while return on assets has a positive and significant impact on excess return for first day ($\beta = 28.1$; $p < .05$), it did not show any significant association with the excess return for 10 days. Also, the total assets turnover rate had positive and significant association with both excess returns for the first day ($\beta = .26$; $p < .05$) as well as for 10 days ($\beta = .46$; $p < .05$). However, no significant relationships were found between debt ratio, number of shares issued, net income and the excess

Table 4. OLS regression analysis results

	ERETURN1	ERETURN2
DRATIO	1.00 (0.23)	-4.70 (-0.64)
ROA	28.1** (2.11)	8.21 (0.37)
TATRATE	0.26** (2.25)	0.46** (2.40)
LNSHARES	0.45 (0.46)	-0.85 (-0.52)
LNINCOME	-0.66 (-0.50)	0.76 (0.35)
Constant	6.66 (0.42)	5.85 (0.22)
N	113	113
R ²	0.08	0.06
adj. R ²	0.041	0.016

Notes: *t* statistics in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$; ROA: Net Income / Total assets; ERETURN1: Excess return for first day; ERETURN2: Excess return for 10 days; DRATIO: Depth ratio; ROA: Return on assets; TATRATE: Total Assets Turnover rate; LNSHARES: Natural logarithm of number of shares issued; LNINCOME: Natural logarithm of net income.

returns for one day and for 10 days.

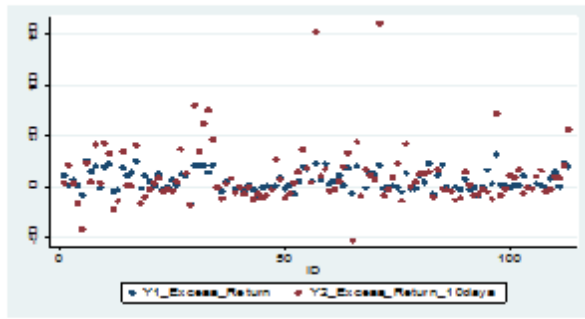


Figure 1. Scatter plot of excess returns for first day and for 10 days

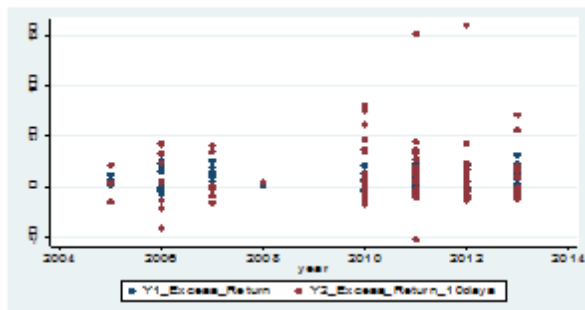


Figure 2. Scatter plot of excess returns for first day and for 10 days for each year during the analysis period

Conclusion

In this study, the existence of underpricing in IPOs of Borsa Istanbul listed companies and determinants of initial performance are investigated. All IPOs except securities investment trusts are included in the study for the period of 2005 – 2013. Results show that, although it is not as high as the underpricing detected in most of the previous studies, there is underpricing in Turkish IPO market. Average first day and 10 days underpricing in IPOs for the analysis period is 6.09% and 10.36%, respectively. This result is in accordance with the results of the previous studies which detected underpricing in the range of 6.52% to 13.1%.

First day and 10 days returns were regressed against some ratios, net income and number of shares issued to determine factors affecting IPOs performance. ROA and total assets turnover ratios were found to be key determinants of underpricing based on first day return in Turkey. Both measures have a positive and significant relationship with first day return. Only total assets turnover ratio has a positive and significant relation with 10 days performance. Debt ratio, net income and number of shares issued do not have a significant effect on IPOs underpricing in Turkey.

When making an investment decision on a Turkish IPO, investors are recommended to pay attention to ROA and total assets turnover ratio of corporations that are going public. This will yield higher initial return.

For further research, more independent variables such as IPO method may be included to have better information about factors affecting underpricing. Moreover, besides conventional techniques, new analysis techniques may be utilized to determine factors affecting IPO short term performance.

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Dark Tourism of Georgia

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Abstract

Nowadays, in increasingly diverse environment, the need of newly identified offering of experience has become the most important tool of competitive advantage between different tourism destinations. The cultural attraction and memorable experiences have been created a special value to develop tourism industry. Therefore, using the country's already existing tourist attractions, unique cultural features and natural beauty encourage economic development which positively influence the physical improvement to a country's infrastructure and social-economic relations among the citizens.

Colchis Kingdom, nowadays Georgia, the place of ancient civilization faces challenges in terms of tourism development that merits further analysis. The soviet system and recent war significantly confined tourism development. According to the history, the conflicts in this region, political and historical facts in Georgia, the large number of sites associates with war, battlefields sites and other tragic events left their ruins and representations as a form of ancient/modern historical reality.

According to the discipline - "dark tourism" proves the significant grows of the attractions of death and disaster in tourism. Current research studies by Lenon, J. Foley, M. explored that the dark destinations attracts more and more visitors for remembrance, for education, or even for entertainment. In addition "furthermore, tourism publications, promotional materials and attraction descriptions often offer unusual political inserts and references to the military intervention that are clearly ideological in their references to the period of partition and conflict" Lenon, J. Foley, M. (2007). Dark Tourism (pp-158). UK: Tomson.

As mentioned above, the tragedy and warfare has spawned its own form into dark tourism and represents potential in the postmodern era. By conducting the innovative visual ethnography photo/video research in the Netherlands, that guides this topic to explore how the dark history between two nations (Georgia and the Netherlands) is influencing experiences and decisions of visitors to give the preference to the specific destination.

Keywords: Heritage, Dark tourism, Battlefield, Georgian rebellion, Texel Island, Virual research, Innovative research

I. Dark Tourism

Historical battlefield sites are often regarded as educational and recreational trips. A large number of battlefield attractions and death-related visitor sites are becoming a significant tourist destination. More and more visitors of the contemporary society, media interest and academic researchers are increasingly attracted by "Dark Tourism". Such dark form of tourism provides the spiritual journeys around the sacred places and sightseeing tours for remembrance, education and entertainment. Therefore, it is suggested that dark tourism is regarded as a travel itinerary around the death and suffering related places. According to Tarlow, the dark tourism is referred as "visitations to places where tragedies or historically noteworthy death has occurred and that continues to impact our lives". P.R. Stone (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions (pp.-146) UK: Preston, University of Central Lancashire.

Despite of the modern definitions of the dark tourism, travelling to sacred sites may simply be regarded as an old concept in a new, modern era. The sites of death and suffering have been always a keen interest of people even during the medieval period. Father back in history, the gladiatorial

games may be considered one of the first dark tourist attractions and the individuals and animals were used by Romans to entertain the crowd at the Colosseum in Rome.

Nowadays, in the modern era, the contemporary society is eager to consume the dark tourist products for educational, emotional and spiritual reasons. Battlefield sites and historical memorials provide an opportunity to share the heritage and values of history to reach closure of tragic facts of life in order to lead the common understanding and avoid the war in future. The dark tourism educates the visitors by ideas of battlefield sites by which the people can learn from the history in an effort to avoid those mistakes caused by negative facts.

One of the highly successful projects has been built by US government to establish The US Holocaust Memorial Museum. In addition to the Dark tourism elements of the Holocaust Museum, it effectively teaches the fundamental American values, facts on democracy, the inalienable rights of individuals, freedom of religion and so forth. The level of interests has been considerably high as visitor statistics indicates in table N1.

Table 1. April 1993–April 1994 visitor statistics, US Holocaust Memorial Museum

Group	Number
Number of visitors to the museum	2,000,000
Number of visitors to the Permanent Exhibition	1,300,000
Average number of people visiting the Museum daily	24
Number of school groups	3,000
Number of request for teaching material and assistance filled by the Education Department	36,000
Number of charter members	250,000

Source: US Holocaust Memorial Museum, 1996

Table 2. Estimated numbers of visitors

Group	Number
Number of visitors to the museum	2,000,000
Number of visitors to the Permanent Exhibition	1,300,000
Average number of people visiting the Museum daily	24
Number of school groups	3,000
Number of request for teaching material and assistance filled by the Education Department	36,000
Number of charter members	250,000

Source: Young, 1993

The US Holocaust Memorial Museum's own research shows battlefiel theme attracts more and more visitors to gain the knowledge and 88 per cent of visitors possessed some form of college education, including 71 per cent with college degree and 38 percent with postgraduate work. The research also points out, that the visitors express the massive interest in the dark period of human history. The visitation of the tourists still continues and museums and cities associated with the dark tourism still receive visits from a huge range of ages and nationalities all over the world. Lenon, J., Foley M. (2007). Dark Tourism, The attraction of death and disaster (pp.154-157). UK: Thomson Learning.

The Dark tourism destination sites located in Europe also plays a significant role to attract visitor's attention. The estimated numbers of visits proves the increasable growth of the tourists in Amsterdam, Poland and Germany, illustrated in the table N2.

Lenon, J., Foley M. (2007). Dark Tourism, The attraction of death and disaster (pp.28). UK: Thomson Learning.

I.1. Dark Tourism Variables & Spectrum

The forms of the dark tourism products are not limited; it covers the wider spectrum of dark tourism attractions, including visits to war memorials, cenotaphs, shrines, crypts, graveyards, churchyards, unknown worriers, death sites, prison sites, macabre-related attractions, sites of genocides and so forth.

The variables of dark tourism production have been discussed by Philip R. Stone in his publication, and the number of variables is shown below:

“The immediacy and spontaneity of dark sensation”, which portrays the recent, distant historical occurrences, sites for contemporary death and suffering.

The destination of “accidental or non-purposeful sites, including cemeteries, disaster sites or memorials that attract the visitors because of the tragic events undertaken by accident. The sites of “interest” in death and suffering in order to learn tragedy death of the famous people. The destinations to experience the dark tourism products for political, remembrance, education, and entertainment reasons.

I.2. Dark Tourism Spectrum

Generally, the variables of dark tourism products distinguish the different forms of attraction sites associated with death, which encourages Miles (2002) to argue about the distinction between “dark” and “darker” tourism.

According to the “darker-lighter tourism paradigm”, Miles suggests that “recent death events that may be transported in live memory through survivors or witnesses are perhaps ‘darker’ than other events that have descended into the distant past”. P.R. Stone (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions (pp.148-153) UK: Preston, University of Central Lancashire.

In the figure N1. it is outlined that, the possible shades of the darkness are based on the political, education and entertainment features of tourism.

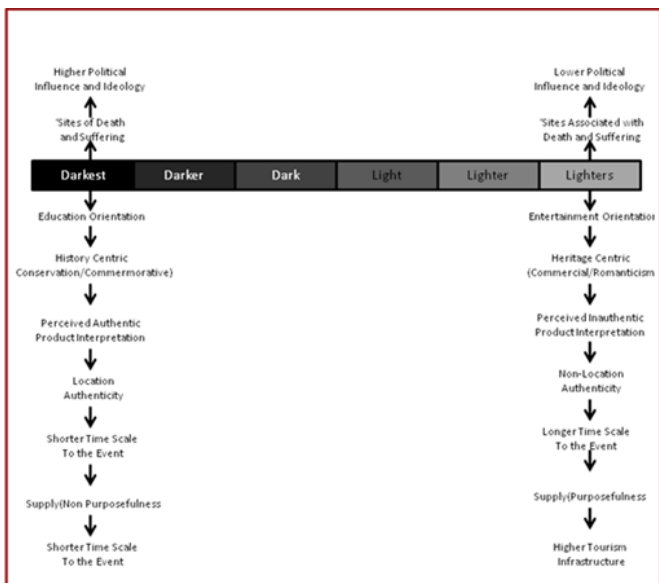


Figure 1. A Dark Tourism Spectrum: perceived product features of dark tourism within a 'darkest-lightest' framework of supply.

According to the abovementioned, Miles argues that there is critical difference between those two columns, for instance the sites associated with death and suffering can be regarded as lighter tourism products, in contrary, the sites that are of death and suffering can be regarded as darkest tourism products. Therefore, the recent death and tragic events that possess a shorter time frame are closely related to the memory of the survivors, witnesses and influence on the future generations. Those recent historical tragic events are 'darker' than other events, which possess a distant past. As Miles claims, the death camp site at Auschwitz Birkenau is regarded as darker tourism destination than the US Holocaust Memorial Museum in Washington. Seaton (1999) also argues that darkest tourism products can be shifted towards the lightest products, “shades of darkness within the dark tourism products can shift as events (such as wars, the fall of terrorism and or acts against the terrorism) and as new ‘files of representation’ (books, memoirs, novels, etc.) lend moral meanings to site of death.” (Rojek and Urry 1997). Stone, P.R. (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions (pp.148-153) UK: Preston, University of Central Lancashire.

In a similar vein, it is possible to relate the dark tourism spectrum to the seven type categorization of dark tourism suppliers in order to separate many multi-layered dark tourism products for the different groups of visitors of the world. The particular dark tourism products or events may cause

dark suppliers to move from darker to lighter Spectrum and shift the particular product according the interest of supplier and visitor.

1.3. The Seven Dark Suppliers

The dark tourism products are categorized and analyzed by P. Stone (2006) according to the seven dark suppliers which include Dark Fun Factories, Dark Exhibitions, Dark Dungeons, Dark Resting Places, Dark Shrines, Dark Conflict Sites, Dark Camps of Genocide

Dark Fun Factories: These are the visitor sites, tours and attractions oriented on entertainment and commercial purpose. Those sites provide the socially acceptable fictional death and macabre incidental experiences and on the “Dark Tourism spectrum” may occupy the lightest edges. Nowadays, the dark fun factories are very popular across Europe and portray less savoury elements from past life. Examples of the dark fun factory suppliers include the attraction sites, such as: London Dungeon, Black Death, Jack the Ripper, Vlad the Impaler, Tower of London and Dracula Park. The studies about the entertainment based Dracula Park suggested: “...driven by the need to build a post-communist economy, Romania has moderated its previous rejection of Dracula as a vampire and shifted its focus to leveraging the Transylvanian myth for economic gain. Dracula Park will sport vampires, a Center of Vamirology, a golf course with scary encounters, a Medieval food court, Draculabilia, such as stakes, fangs, watches and visitor portraits drawn with your own blood – all within a Medieval fortress.” (KLM Management Consultation 2001:10)

Stone, P.R. (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions (pp. 153) UK: Preston, University of Central Lancashire.

Dark Exhibitions: Dark Exhibition products are regarded as more educative and commemorative oriented attractions, which possess a darker edge of the 'dark tourism Spectrum'. It still tends to be commercial focused but are more aimed to reflect potential learning opportunities. Examples include the exhibition in the Smithsonian Museum of American History, which displays the images and artifacts of the September 11 terrorist attacks. Another Dark Exhibitions also represents the 'body Worlds' exhibition and the 'Catacombe dei Capuchini'. Those exhibitions attracted over seventeen million of visitors around the world.

Dark Dungeons: These sites on the Dark tourism spectrum can be represented as a mixture of dark and light elements, because of the product type related to a combination of entertainment and education ('edu-tainment') purpose. Dark dungeons refer to those sites, which are based on crime and punishment systems from history. For instance, The Galleries of Justice in Nottingham represents “the only site where you could be arrested, sentenced and executed”, Robben Island, South Africa, the Bodman Jail Centre, the Old Melbourne Gaol in Australia and so forth. Dark Dungeons represents the distant and recent past and bears a higher level of political influence and dark heritage ideology.

Dark Resting Places: The Dark Resting Places are those sites where the cemeteries and graves exist. It occupies the centre of 'dark tourism spectrum, (FigureN1) and is regarded as a potential tourism product. In the contemporary society, the dark resting places are romanticized. A traditional cemetery sites and graveyard provides even the new wedding experience for couples. A. Winikka (2008), <http://lifestyle.msn.com>. 8 Outrageous Wedding Sites.

According to Association of Significant Cemeteries

of Europe (ASCE) the cemeteries represents an “integral component of cultural heritage and those cemeteries with historic or artistic significance should be conserved. (ASCE 2005).” P.R. Stone (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions (pp.154-155) UK: Preston, University of Central Lancashire. Examples of famous cemetery are at Père-Lachaise in Paris, Weaste Cemetery in Salford UK. Those sites attract millions of visitors which gives the opportunity for visitors to commemorate and study local history. Some cemeteries also become the place for tourists to respect and commemorate deceased soldiers in battlefields.

Dark Shrines: Dark Shrines are formally or informally constructed places, and the location is often close to incident. Those sites are occupying the darker part of ‘dark tourism spectrum’. Therefore dark shrines are for remembrance and respect towards the recently dead people, which in most cases has a direct relations with the victims. Due its temporal nature, dark shrines are not purposeful for tourism infrastructure. The typical example of that sites are an interment memorial of Diana at Althorp House, near Northampton, England, Ground Zero, New York (site of the Twin Towers of the World Trade Center), and Marc Bolan’s shrine.

Dark Conflict Sites: In Dark Conflict Sites, the battlefields and warfare tourist attractions play the major component In Dark Tourism. Those destinations have basically educational and commemorative purpose and it focus on remembrance than celebrations. Dark Conflict Sites are regarded as a warfare product for wider tourist attraction market concluded by Smith, P. (1998). Nowadays dark conflict sites become more and more commercialized than educational and plays important role in tourism infrastructure. Some business groups and governments have realized the potential of the dark conflicts sites as a wealth for developing the tourism. Thus, the political ideology are often the main component, where the visitors respect the people killed in conflict zones, contemplate the meanings of war and commemorate death in battles on a mass scale. As Philip R. Stone refers, some battlefield sites are “romanticized and funled” and it occupies the lighter end of the ‘dark tourism spectrum, figure N1. The examples of dark conflict sites are battlefield tours, ritual events, village and rural festivals, such as Battle of Bosworth Reenactment, the Battle of Guadalcanal, battle of Waterloo and so forth.

Dark Camps of Genocide: Dark camps of genocide sites are enhanced by the darkest and terrible stories about the genocide and atrocity. It occupies the darkest edge of the ‘dark tourism spectrum’. It is important to point out that dark camps of genocide in contrary to Dark Exhibitions are located at the exact destination where actual death-event took place. Those sites are educational as well as commemorative and are closely linked with the Holocaust tourism. O’Donogue suggested that “dark tourism, as it’s been dubbed, is on the increase, as people around the world fight to ensure the sins of the past are not forgotten.”

Stone, P.R. (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions (pp.157) UK: Preston, University of Central Lancashire.

Dark Camps of genocide are partly established and supplied as dark tourist products by Dark Exhibitions such as a Holocaust Memorial Museum in Washington, Imperial War Museum in London and the Jewish Museum in Berlin. The typical Dark Camps of genocide sites are Auschwitz-Birkenau, Dachau and Buchenwald. There are also death camps such as Auschwitz-Birkenau, and genocide sites in Rwanda, Cambodia, and Kosovo. The abovementioned genocide sites attract thousands of visitors annually. For in-

stance: Auschwitz attracts 600 000 visitors, Dachau attracts 700 000 and Buchenwald attracts 600 000 each year.

Stone, P.R. (2006). A dark tourism spectrum: Towards a typology of death and macabre related tourist sites, attractions and exhibitions, accessed from the dark tourism,web-site.<http://www.bized.co.uk/educators/16-19/tourism/special/activity/special1.htm>, January 18th 2007.

II. Battlefields in Dark Tourism

II.1. Battlefields, as a form of cultural heritage

The war or battlefields as a form of cultural heritage has significant implication for understanding the history and often obscure the richness of cultural experience. The role of war as a traditional value of heritage, the modern form of the new economic offerings combines the two seemingly incompatible concepts. There are lots of studies which constitute traditional values led to the modern consciousness. “In the great war and modern memory Poul Fussell relies upon the novels, memories and poetry of a small group of British officers, to argue that the experience of war led to the creation of the dominant form of modern understanding, which is essentially ironic. Lloyd, D. W. (1998), battlefield tourism, Pilgrimage and commemoration of the Great War in Britain, Australia and Canada, 1919-1939. (pp.-2). Oxford, New York: Jacet design: Wilson Harvey Limited.

The modern tourism industry is changing simultaneously. The battlefields and war experience re-fashioned the memory of the war and attracted large number of visitors. “The attraction of death and tragedy has always been a powerful motivation for travel. (Kazalarska, 2002). As we already pointed for the contemporary society, the heritage of atrocity and the sites associated with disaster such as concentration camps, battlefields, prisons, torture chambers or assassination sites are routinely developed as popular and profitable tourist attractions (Michalko, 2004). The consumption of the disturbing past is driven and shaped by tourists’ needs, but it is also subject to change political and cultural climates (Seaton, 1996). Smith, M.K., Robinson, M. (2006) Cultural tourism in a changing world, politics, participation and (Re) presentation. (pp.-245) UK: Sage.

Thus, the journey to a sacred places and battlefields tour is increasingly popular bears the name of Pilgrimages. The development of pilgrimages becomes a focal point for heritage tourism. It impacts the past and links the memories of the war. Pilgrimages, also gives the chance to visitors to experience the places of battle, looks forward to the time when the war was over and at last it enables to complete the process of mourning. On the other hand, “wartime imagery stressed the spiritual nature of the struggle. During the war, soldiers were portrayed as heroes sacrificing themselves for their country; a sacrifice which was linked to that of Jesus Christ.” Lloyd, D. W. (1998), battlefield tourism, Pilgrimage and commemoration of the Great War in Britain, Australia and Canada, 1919-1939. (pp.-26). Oxford, New York: Jacet design: Wilson Harvey Limited.

The definition of war states the two different opinions made by famous philosophers; “So that in the nature of man, we find three principal causes of quarrel. First competition; secondly for safety; and the third, for reputation. (Thomas Hobbes, Leviathan (1651)

As Carl Von claims the war is a mere continuation of policy by other means. (Carl von Clausewitz, On War 1832)” D. Dawson (2001). The first armies, (pp.-14). Korea: Trento S.r.l.

Finally, Hobbies found the roots of war in the nature of man, but Clausewitz, in the nature of politics.

Hobbies interpretation of war was carry out by peoples living below the institutional level. In contrary, Clausewitz was thinking of the war as highly organized bureaucratic states like those of early modern Europe.

II.2. Last battlefield of Europe and rebellion of Georgian solders

The abovementioned review of dark tourism has attempted to construct a conceptual framework in which the last battlefield of Europe on Texel Island can be scripted.

Texel as a pretty small island of the north of the Netherlands was an important part of the Atlantic Wall. German occupiers fortified the island to defense against an Allied invasion from Western Europe. Germans manned the coastal batteries and maintained the drillings, minefields, artillery guns, constructed bunkers and barbed wire entanglements. There were 9000 inhabitants on Texel and approximately 630 inhabitants were members of the Dutch National Socialist Movement (NSB). The NSB members were seven percent of the total population which collaborated with Germans. Most Locals had a doubt towards the emergence of the NSB. Therefore, Dutch people established the fast growing underground movement to protect their rights and liberate the island from German forces. Therefore, the purpose of the underground movement was to resist Germans. They were worried about the Germans being on their island and looking forward to seize power of NSB. They spent a lot of time monitoring the activities of NSBs. But unfortunately, on 1940 after five days fighting the Dutch State was surrendered and Queen Wilhelmina with the government was escaped to Britain.

Reeuwijk, D. V. (2002). The Georgian rebellion on Texel. Netherlands: Het Open Boek Ltd.

II.3. Reasons of the Georgian rebellion on Texel

Georgian solders, captured on the Eastern front had been treated by Germans as an inferior race and the number of death in the Eastern prison was high. The condition in the prison was appalling. No more than half of the total 51/2 million prisoners hardly survived by unbearable conditions in the prison camp. Some nations in the camp carried out mass executions and sickness. The temperature was -40oC. "They ate leaves and drunk from puddles in order to survive. The wounded were left untreated and anyone who lingered behind or who stepped out line was shot. Only about 14,000 of the 20,000 prisoners reached the camp alive."... "The condition in the camp was so bad that they even eat any dogs they managed to catch. The prisoners were counted and every seventh or eleventh person was taken from the row and shot". Reeuwijk, D. V. (2002), The Georgian rebellion on Texel, (pp. 17-18) Nederlands: Het Open Boek, Binnenburg.



Photograph 1. Shalva Loladze and his comrades in the way to Dęblin in Poland.

In spite of terrible treatment, Georgians had been given rarely offered enlisted chance to serve Germans and be alive or remain in deplorable conditions and live in prisoners' camp and probably die. Therefore in order to survive, Georgian soldiers put on a German uniform and Georgian Legion was formed by 13 infantry field battalion. In April 1943, 822nd Georgian battalion was formed and was ordered to go into the action against Allied troops.

Reeuwijk, D. V. (2002). The Georgian rebellion on Texel. Netherlands: Het Open Boek Ltd.

II.4. Day of Birth in motion

By the end of 1944, the commander of Georgian battalion put forward a plan in Amsterdam for the rebellion against German occupiers. He was certain that it would have been impossible to fight against Germans with 822 soldiers but he was sure that Dutch population would take their side, because of the troubles they experienced from Germany. The Georgians never liked and valued communist movement, therefore on one hand, they were victims by Russia to struggle against Germany and on another hand, and unbearable conditions in German camp forced them to strike against them. In a little while, the plan for rebellion was completed and hurriedly set in motion with a code name, 'Day of Birth'. Georgians warned the Snoek brothers, the founders of underground movement about the rebellion and they received the support from them as well. Reeuwijk, D. V. (2002). The Georgian rebellion on Texel. (pp-29) . Netherlands: Het Open Boek Ltd.

2.5. The fierce Battl

The Georgians rose up against German garrison at 1 a.m. on 5th of April, 1945. No one suspected such bloodiest battle. The situation was very tense, the gunshots, signal flares and screaming covered the island. The Germans were furious about the rebellion on Texel and wanted to take a revenge on Georgian soldiers. They ordered to capture and execute all Georgians according to marital law. Their contempt was also towards the Texel people who supported Georgians. Hundreds of local people joined the rebellion. They were given the weapons, carbines and hand grenades. Within the day, they gained the control around the island and the Dutch flag and the Red flag being raised above Texla. The Georgians expected the assistance from the allied landing, but the broadcasting stations were destroyed and they could not manage to notify the England about the rebellion.

The bombardment started by enraged Germans at 4.30 p.m. They collapsed the buildings, the damaged hospitals and burnt houses. The innocent Dutch people passing by the street were arrested. They were accused of helping Georgians. Georgians were forced to undress themselves and dig their own graves near the road. Some Georgians and Dutch people were also executed near the De Mok bay. But in spite of the Germans revenge local people helped them to survive. An Eilman farm was well known place where food was always available for the Georgians. Baker Theo Smit home was also well known place for assistance where Georgians took 40 kilos of flower for respect before the rebellion. "The fortunes of the war appeared to have turned. The population helped them with food, medicine, hiding and treating their injured, although it carried the death penalty. The underground movement supplied the rebels with useful information on German troop movements. " Anderies de Jong, Jacob Donker and Jozef Schelfhout helped Georgians to defend the airport but unfortunately local citizen extradited

them to Germans and they were arrested and fired nearby the prison. Therefore, friendly local people risked their life by providing the assistance to them.

Georgians were continuing to occupy the main positions during the fierce battle but they could not gain control on the Southern and Northern coasts of the Texel Island. Most of them were killed by the air pressure explosion. Approximately 4000 German soldiers were mobilized to for that battle and 700 Georgians fought 4000 Germans and after extreme battle Germans retook the part of the island. During the intense fighting people were still waiting for the allied help which did not materialize, but the capitulation in the Netherlands on 5th of May 1945 brought the comparative peace. On 21st of May 1945 Canadian troops were landed on Texel. In spite of tragedy Dutch and Georgians saw themselves as victorious and “the population built triumphal arches decorated with banners: ‘Long live the liberation’ and ‘Let’s shake hands boys’.

Unfortunately, the last battlefield of Europe claimed the lives of 800 Germans, 570 Georgians and 120 Dutch islanders.

The final resting places of the Georgians soldiers were buried in one of the island most beautiful place between Den Burg and Oudeschild. The last Georgian survivor of the uprising died in July 2007 and was buried with military honors in Zugdidi, Georgia. The German soldiers can be found in the Den Burg cemetery. The Allied flight crews were also buried in the community cemetery in Den Burg.

The exhibition about the battlefield of Texel exists in the Aeronautical Museum at the island’s airport and Texel uprising museum in Manglisi, Georgia which belongs to one Georgian survivor Eugeny Artemidze.



Photograph 2. cemetery of Georgian soldiers on Texel Island

The fierce fight created the amicable emotional bond between Dutch and Georgians. Last battlefield of Europe converted the painful memories into friendship tie and unscrupulous historical action helped to build the sympathy between two heroic nations. The literature reviewed about the battle tells the story about the gratitude expressed by Georgian people. The local people on Texel risked their life by hiding Georgians, because they knew very well that helping Georgian soldiers carried the death and torture to them. Based on the research I discovered lots of photographs that proves a very close and friendly relations between Georgian and Dutch people.

III. Dark tourism in the form of Experience economy

III.1. Dark tourism, as an educational dimension of four realms of Experience Economy

As we have discussed, the last battlefield of Europe is one example among forty battlefields that Georgian people ex-

perience along the history. Those battlefields mostly leave scientific historical evidence and its tangible remains from the past. Visitors are primarily looking for an experience and new reality based on dark side of the history, which educates individuals, increases their knowledge and intellect. From this point of view, we can see the linkage between the battlefield tourism and educational dimension of Experience Realms (Education, Entertainment, escape and estheticism). Therefore, the Texel Battlefield as a dark tourism destination possesses a shorter time frame to the present and occupies darker edge of ‘dark tourism spectrum’. According to the educational dimension of four ‘Experience Realms’, it can involve the mental participation of the individuals and in an effort to actively engage the mind and/or body of visitors, seven type categorization of ‘Dark Tourism Suppliers’ need to be staged and adjusted. Figure N2. represents the four realms of experience economy linked with the Dark Tourism.



Figure 1. Dark tourism, as an educational dimension of four realms of Experience

In an effort to maintain the battlefield theme as an educational dimension and create the correlation between the education and entertainment experience, we want to focus on the cultural heritage of Georgian authenticity as a form of folklore which also links its battle elements in art. The folklore performance plays important role in global cultural tourism. It expresses the identity of the nation and captures expressions of culture. Folklore as an art form is distinguishable and universally understandable among the world cultures.

3.2. Art ties with war

Georgian folklore as a significant symbolic function plays important role of Georgian people. It expresses the lifestyle of the specific region, rituals, customs and traditions. Georgian folklore includes symbolisms about different aspect of their lives and we'll focus on battle mode deeper. Georgian art folk still alive the war and battle imagination. Folk songs with multiplicity voices and unique harmony were even sung and ritualized even before and after war. The mixture of Georgian dance can range modest solo dance to complex ensemble performance. The rich diversity of dance can be attributed to the regions having their own interpretations of particular battle style.

In close conjunction with the battle elements, Georgian war dance brings to life battle and Georgian army from the past centuries. It ties the enemy camps performance, distinctive movements, sense of awe to the medieval history,

which is full with many wars and celebrations of victory. The art forms of dances are based on the idea of competition and strive forms of excellence. In the complicated movements dancer's courage and skills overflows in order to perform the struggle movements with swords and daggers. Those art dances were designed to prepare themselves for the enemy. The medieval concept of fight is full with tremendous skill, courage and braveness. The rapid steps and fighting movements creates sensation legends, mythology and Caucasus cultural history.



Photograph 2. Georgian folk dances

As we already discussed, an entertainment dimension of the 'Experience Realms' requires the passive participation of the individual, occupying visitors attention by providing the performance or any other form of art without active engagement. Therefore, Georgian battle and struggle movements of Art provide the new and different direction as an unusual form to experience of medieval fight. The battle mode dance kept its culture alive for new generations. Figure N3. shows the linkage between the Dark tourism, as an educational dimension and entertainment, as an authenticity of folklore performance.

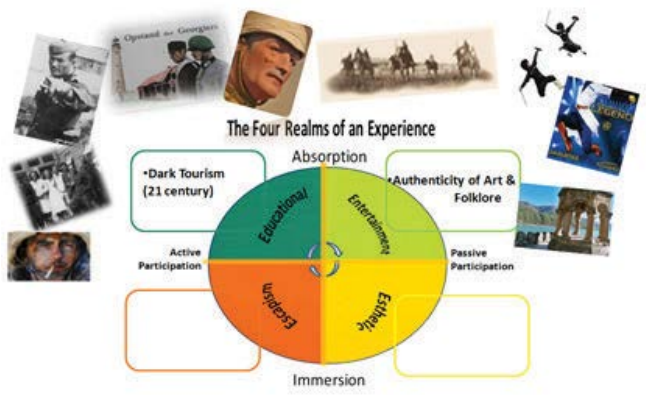


Figure 2. Authenticity as an entertainment dimension of four realms of Experience

Smith, M. K., Robinson, M. (2006). Cultural Tourism in a changing World (pp. 215-223) UK: Multilingual Matters Ltd.

P. Nasmyth (2001). Georgia: In the mountains of poetry. Georgia: Kurzon Caucasus World

3.3. Heritage of historical reality

In an effort to explore and apply the esthetics, as an experiential realm to the battle and war motives, we need primarily to focus on the historical evidence and reality of tangible re-

mains of past. The charm of old fortresses, castles, towers, temples, fortifications and churches from the 1th century AD alive the imagination of history. An esthetic of those discovery places immerses the individuals in deep history. Those physical remains of the past tell them about historical facts and leave the space for wonders and imagination. The historical evidences always tell different stories about heroism, glory of battle which proves the history written by previous generations.

Lowenthal (1985, 1996) underlined the benefits of historical interpretation into the artifacts where he notes the four traits of the past:

"first, its antiquity conveys the respect and status of antecedence, but, more important perhaps, underpins the idea of continuity and its essentially modernist ethnos of progressive, evolutionary social development.

Second, societies create emblematic landscapes in which certain artifacts acquire cultural status because they fulfill the need to connect the present to the past in an unbroken trajectory.

Third, the past provides a sense of termination in the sense that what happened in it has ended, while, finally, it offers a sequence, allowing us to locate our lives in what we see as a continuity of events."

Corsane, G. (2005), Heritage, Museums and Galleries: An Introductory Reader. Routledge

The heritage buildings in Georgia dates back to 1th century they clarify the historical facts and enriches the battle evidence and makes the past beneficial to visitors. Lot of ancient and historical regions still exists in Georgia. Lots of cities were almost completely destroyed from the invasions by neighboring countries which converted this country into the destinations of rich powerful temples, castles and fortresses.



Photograph 3. Shows some images of medieval monument.

Lots of ancient monuments and medieval architectural buildings convey an idea of timeless values of Georgian culture. For instance, in an effort to be protected from invasions as ancient city Vardzia was built inside the Rocky Mountains. Its value sets the multi stores random rooms inside the racks and combines streets, tunnels towards the leading fortresses, temples, monasteries, baths, libraries and dwelling

houses. Discovering tours and visiting different fortifications in Georgia can create the 'esthetic' experience related to battle sites and a dimension of 'Realm Experience' should create the feeling for visitors just to be around the valuable places. Figure N3. illustrates a linkage of three 'realms of experiences' around the battle theme.



Figure 3. Heritage of historical reality, as an esthetic dimension of four Realms of Experience

Experiencing those historical realities often seems to visitors that those artifacts tell the story and legends by itself, which sometimes had become more important than the history. The continued retelling of the story about each medieval monument had produced its own folk tale accumulative its magnificent traditional details over the centuries. Therefore, that mysterious tangible reality reflects historical facts as well as legends, which combine the essence of the original story. According to ancient symbols and experiences of Georgia, set us thinking about myth and historical reality, about the way they are passed on over centuries and about their relation with the last dimension of 'Realm Experience' - Escapist.

III.4. Greek Myth of Golden Fleece

Mythology, tells the story about ancient art which conveys the legend into symbols, words, images and sounds. It gives as the history of world, imagination and way of life. For instance, Georgia has its own legends and each has its storytellers. As we try to focus on the historical linkage between Georgia and other countries, it will be useful to search for the legend told by the world's classical myth-making country of Greece and conjure up the myth of Golden Fleece (Image N2.) to find discursive relations with Georgia. The legend is enriched with tremendous struggles and battle elements to achieve the goal.



Image 2. The Golden Fleece

The Golden Fleece by Herbert James Draper, 1864-1920. 1904. Courtesy of Bradford Museums, Galleries & Heritage (Cartwright Hall).

Greek mythology as the greatest story telling classical treasure still captivates the new and old generations all over the world. The most of Greek legends and myth goes back to the Bronze Age in the third millennium BC. As M. Wood refers in book, "in search of myth and heroes", modern psychologists give an archetypal interpretation to mythology, because "they seem to draw on the deep past of the human psyche and, after all, the world we live in is still shaken by events of atavistic cruelty, despite our much vaunted modernity". M. Wood (2005). In search of myths and heroes, (pp – 85). UK: BBC books, BBC worldwide Limited. It tells the story about battle between the noble and human awareness.

In the earliest time of Greek myth, the land of Colchis, today's Georgia, was regarded as a place of the mythical Golden Fleece, which express the legend about fight, heroes, magic sea voyage, fight, dragons and princesses. The legend of Colchis – 'the land of the rising sun' was bearing the Golden Fleece which dates back between three and four millennia and origins before the Trojan War. The story states the dark legend of journey to 'first mysterious land to draw adventurers across the seas in search of fortune and everlasting frame". As a dark mysterious legend is well-known to everyone and brings us the past through novels, plays, paintings, operas and Hollywood films. Image 3 .Golden Fleece paintings of World Art.



Medea, Anthony Frederick Sandys; Jason and Medea, John William Waterhouse, Date: 1907; Medea, Evelyn Pickering De Morgan, Date: 1889; John William Waterhouse, Sketch for Medea, Date: 1906-07; John William Waterhouse, Study for Jason and Medea, Date: circa 1907; Gustave Moreau, French, 1826 – 1898, Jason, Date: 1865; Jason steals the golden fleece with Medea's help, the Argonauticon of C.Valerius Flaccus. In Paris by J. Bade, 1519; Jason, a Greek hero, led the Argonauts on the quest for the Golden Fleece. Here, Jason finds the ram's hide hanging on a tree; Hand Drawing Back the Golden Fleece in the Form of a - Dali Salvador.

In ancient books, Golden Fleece represents the prophecy of future prosperity for people and kingdom. According to recent studies from Hittite empire discovered new approach of Golden Fleece, which means the change and renewal of royal power. This ritual was even staged at the New Year

festival were consecrated fleeces were hanging over the tree totems in temples. Golden Fleece was also regarded as a talisman with magical and auspicious symbol of kingdom. M. Wood (2005). In search of myths and heroes, (pp – 90). UK: BBC books, BBC worldwide limited. It tells the story about battle between the noble and human awareness, and symbolize the search of Identity.

More than twenty ancient sites are still located along the Colchian region where the Golden Fleece was kept. This region is reach with herbs and hill of Gold, which figures so prominently in the myth. Nowadays, people still extract the gold from that hill using the fleece and ram of Sheep. The first century geographer, Strabo explains the land of Golden Fleece as it follows:

“It is said that in the century of Colchis, Gold is carried down by the mount torrents, and that the barbarians obtain it by means of perforated troughs and fleecy skins, and that this is the origin of the myth of the Golden Fleece” Wood, M. (2005). In search of myths and heroes, (pp – 125). UK: BBC books, BBC worldwide limited.

As we mentioned above, the legend still alive in this region and the residents are still panning the gold by fleece into the gold-bearing river of Svaneti. According to an old method of panning, sheep fleece are used to “catch gold-bearing slit in their hair”. Wood, M. (2005). In search of myths and heroes, (pp – 127). UK: BBC books, BBC worldwide limited. Therefore, the legend of Golden Fleece definitely finds its connections with this land and proves some mythical truth in real live.

According to Myth, the Golden fleeces were hung on the tree in temples of sacred grove and conveyed its magic supernatural aura around. Nowadays this place is near Chechnya and was known as a land of ancient Gods. Image N4.



Based on Christian religion, the sheep is associated with the sacred animal and it is ritualized in mythology as well. The rituals still exists in Georgia, which generally takes place on top of the cliff with lanterns and tapers. The priests bless and sacrifice a sheep on the grass. They hand the fleece and horns on the trees and cook the dinner together with the people in the monastery. It is kind of open air communal feast which is older than Christianity, celebrated for millennia in Georgia. In this sacred grove the special brunch of threes are hung knotted prayer cloths. The rituals that still stay alive in Georgia are remarkably similar in ancient Greece as well. The deep myth of Colchis from 3rd century BC had grown in Georgia and the legend still remains alive in the 21st century.

As we already mentioned above, some ritual traditions from Greek and Georgian mythology are presented also in Georgian Folklore and ethnography. The archeological discoveries in the ancient city of Vani illustrate the items with representation of mythological personages. Among various

badly damaged burials the most interesting items have been investigated, so-called radial earrings, fragments of bronze vessel, a gold torque and so on. Among archeological materials the figure of a Man-he-Goat is characterized with sacred-religion function and finds mysterious connection with Colchian methology.

Gamkrelidze, G. (1990) . from Colchian Mythology, Ochopintre – a Pan-type God. (pp. 1-6). Tbilisi: Nakaduli. According to abovementioned publication, The mean-he-goat is characteristic of Oriental style and illustrates some parts of body as human and other of a goat. It also was regarded as an animal-protected god typical for mythological image in ancient Georgia.

Hereby, I'd like to mention some Greek imports from the Archaic time discovered in Cholchis, the western part of Georgia. The considerable number of Greek pottery was found at the costal and interior settlements of Colchis. The bulk of collection represents vases of mass production dated to the late 5th- 4th century BC.

The archeological evidence from Greece is widespread on whole territory of Colchis. “The Character of Athenian pottery, with respect to both quantity and quality, indicates that the role of Colchis in the trade and economic interrelations of the period in question was no mean of paramount importance. ... The establishment of regular intercourse of the Greek with Colchis was connected with the foundation with Greek cities (Dioscurias Gyenos and Phasis) in the course of the Greek colonization movement”. Kacharava, D. (1995). Greek Imports on Archaik and Classical Times in Colchis. (pp. 63-72). Tbilisi: Nakaduli

In addition, archaeological evidence Of the twenty-eight graves has also shown that Vani from a later period, about 450-250 BC, was at the height of its prosperity. In the richest of Georgian ancient graves, a vast array of golden objects was buried with the deceased - from large quantities of locally produced gold jewellery, which illustrates Chochian identity and has less in common with so-called eastern Greek Style. Gamkrelidze, G. (1990). from Colchian Mythology, Ochopintre – a Pan-type God. (pp. 4). Tbilisi: Nakaduli. Some images from the land of Golden Fleece- Georgia are shown below:



The abovementioned theme of ‘Dark Tourism’, ‘Authenticity of Art & Folklore’, ‘Heritage of Historical Reality’ and the legend of ‘Golden Fleece’ combines the battle and fight theme around the Four Realms of Experience Economy. Each dimension can also connect and bond the experience Realms dimension by its own. For instance, an escapist dimension of Golden Fleece shown on the figure N4, can be staged and enhanced in tourism to engage visitors’ active participation in the mythical rituals and legends that still exists in that part of Georgia. In that case, the escapist dimension can unite the battle theme of the whole four realms of Experience economy and combine the mythology as an

escapist dimension. On the other hand, the Myth of Golden Fleece can be staged and it can combine the educational, Entertainment, Esthetic and Escapist experience just by itself around the mythology.



Figure 4. *Myth of Golden Fleece, as an escapist dimension of four Realms of Experience*

IV. Outline of Findings

The visual methods we choose constructed the knowledge about the linkages, perceptions and experiences about battlefields on Texel and at the same time our research produced the visual data based on few heritage sites in Georgia related to dark history and mythology. The visual data answers the question about ontology 'what the person thinks about the nature of reality' and epistemology highlights 'how the person believes that knowledge is produced'. As we mentioned, our research data reflects the objective reality of the camera and at the same time produces subjective knowledge influenced by researcher and respondent.

The following data analyses will also prove the influence of constructivism and visualizes how the multiple contexts' can create a multiple reality which will also demonstrate a distinct reality. In addition to different academic scholarly research papers and publications, our research also combines the secondary sources including video recordings about 1st IIPT (The International Institute for Peace through Tourism) European conference, photographs, films, and documentaries. Therefore, we used different visual and scholarly published textual materials for data analyses. All those secondary resources provide the values and enrich the innovative visual ethnography research.

Generally, as we know, the visual educational documentaries are created by particular artists, film makers or commercial film production companies, but visual ethnography research can be conducted by researcher. The visual data does not necessarily require high quality standards in order to analyze the research, though the good quality of visual and audio characteristics enriches and underlines the meaningful non-verbal communications. Therefore, "exploring the potential of academic filmmaking in tourism studies, a suggestion is also made that tourism scholars wishing to engage in documentary filmmaking need not necessarily by filmmakers in their own right (although this would surely be a desirable quality) but instead, can create collaborative partnerships with artistic documentary filmmakers and/or

commercial production video companies as researchers" Rakic, T, (2007) Critical turn in tourism studies: Promoting an academy of hope? Croatia: SPLIT.

Finally, we can mention that our visual ethnography interviews are regarded as reliable, credible and valid. To ensure the validity, we conducted the interviews just with English speaking respondents. It helped us better understand the reality of their experiences, insights and perceptions. The validity of visual data is guaranteed through trustfully filmed video interview and careful sampling based on age, gender, local residents, tourists, profession and international background. The reliability of research was based on sampling scheme. We focused on different types of participants to find out whether they links or not themselves directly or indirectly to their and other countries history. The reliability of the research is also assumed by video recording of each participant. In regard to the advantage of qualitative research, as we mentioned we selected people by their individually and personality and empowered them to dig deeper through questioning and exploring their perception, attitudes and experiences. Therefore, the questions were fixed but at the same time variable. Concerning to credibility, all questions were linked to our problem statement, but at the same time the unstructured way of interviewing empowered respondents to add their expectations and feelings to their answers. In addition, the checklist was used to guarantee that all theme based on research question are covered. As we can see the interviews were open ended with low degree of structure, though we engaged all respondents in informal conversation. They led the direction of the interview and the themes were also raised by them.

In an effort to analyze our data by visual research methods, we divided our research paper into two parts. The first documentary visualizes theoretical contest of tourists, residents and professional journalist/writer related to battlefield in Europe at the dark destination on Texel Island. The second documentary reflects photography research related also to the few dark historical realities in Georgia and brands itself as a national identity heritage.

The structure of this chapter presents the brief introduction of the respondents with their background, followed by the scripts of the video interviews, results per question, and some charts which support and reveal the outcome.

The main purpose of the video interviews was to find out how the 'dark' historical linkages between two nations influence tourists' experiences to visit the destination. To sum it up, the first impression is that dark destinations on Texel Island, such as the graveyard of the Georgian soldiers widely attract the attention in general. The perceptions about last battlefield in Europe are different among respondents, although the interviewees are aware of the fact about the history of battle.

V. Findings of Visual Video Ethnography Research

V.1. What does a battlefield tour mean to you expressing your county's history?

The respondents of Video Ethnography Interview perceive themselves as 'The Babies of the War'. They were born during the WWII and experienced and heard the awful and dramatic circumstances of the war by their grandparents. All of our respondents are pretty well familiar with the history of 'Last Battlefield in Europe' and everyone seems very interested in visiting 'dark' destination sites especially war cemeteries and museums to commemorate the dead soldiers and



For their national background, the war and battle really played a very big role that has changed the whole, how they look the world and how they look at themselves. Even though the battle on Texel Island lasted just five days and it is not good concept at all for all respondents to talk about, but it still played the major role in forming their identity and perceptions about the other nations. Battlefield site still attracts them and it is still important to spend their leisure time or holidays in Dark Tourism. Besides of their motivation to visit the dark destinations, it is also the matter how they feel about the battlefield. For instance, each respondent has different connections and ties with dark destinations. Some of them are interested just in history about their countries and soldiers to find out how they did survived the war, others has a relative who served in the war and wanted to find out more about this relative, some visitors want to keep in touch with each other nation, commemorate and remember their past by the place like battlefield.

5.2. Perceptions about battlefield on Texel Island

The battlefield on Texel has its unique identity which tells the story what happened in the Netherlands. Nowadays, this great tourism brings back the past and alives the time to look at history of Dutch, German and Georgian soldiers in the war.

The island of Texel is part of the Northern Island above the Dutch main land and for some Dutch people is not perceived as a real tourist destination. Even though, the Georgian Soldiers Cemetery is regarded as an interesting place to visit and commemorate dead soldiers. But the isolation of the Island and at the same time easy approachable area still attracts their attention to visit. For the tourists, the information guide leaflets are available on ferry station in Den Helder to advertise the historical battle on Texel with general information about the Georgian soldiers' cemetery.

A lot of Dutch people are familiar about the battlefield on Texel which is regarded as a part of the WWII, especially typical for the Texel Island. According to some respondent's point of view, they think, the most of the Dutch people are not aware what really happened on Texel during the battlefield. The battle on Texel is perceived as a very interesting, sad and heroic story. All respondents express their gratitude and respect to the people who reformed against the justice during the battle. They are proud of their history and also willing to visit the countries of those soldiers who served the war to find out more what other nation thinks about the battle linked with their history.

5.3. Perceptions about 'dark attraction' of Georgian soldier's cemetery and reason of tourists to visit the destination

The war cemetery of Texel is perceived as an interesting, heroic place to visit and commemorate. As one resident claimed, she always advises the tourists to see this place. As they think, nowadays lots of people are touched about this battle or war in general and they feel obliged to visit the graves of soldiers. Even though they feel depressed by their visit, they still want to commemorate and remember the facts happened in the past.

According to other respondents, the reason of their visit was partially caused by Sandra Roelofs – the first lady of Georgia and Georgian president – Mikheil Saakashvili. They knew them and their friendship encouraged to visit this destination. Though, they often go to the war cemeteries all over the world but the Texel is special for them because, 'We also don't want to forget this people who died here for our freedom. They were too young who died during WWII.'

Some respondents did not have information about Georgia. They perceived Georgian soldiers as Russians, because of the signage on the cemetery that states that "70 Russian soldiers shot at the place by the Germans on 21st of April 1945. They were shot at the army camp De Mok. And the De Mok is nearby Texel". Image 5.



As we can see, the 'objective' visual recording captured the facts that create the knowledge about the history among visitors. It can be one reason why and how the visitors might perceive the history and the nation. Therefore, the objective context is created by the camera and subjectivity as perceptions of respondents and researcher who is recording the video plays the central role to create the truth of knowledge.

5.4. Perceptions about the rebellion of Georgian soldier's on Texel Island?

According to the respondent's knowledge, the Georgian soldiers were pressed to be evacuated to the war in Holland to fight against Allied sea-borne invasion of Western Europe. They were forced to fight by Germans but they refused and rebelled on Texel. "Dutch People are mostly respectful to the people who reformed against the justice, therefore that Dutch old Lady helped Georgians during the battlefield and that's why this Georgian Soldiers cemetery is still very well taken care of Dutch people."

According to our journalist/writer respondent's Mr. Stan van Houcke's belief, Georgian Soldiers had unbelievable power and real heroism. "Russian army was small number of soldiers. But in spite of that they were much braver." But as another respondent pointed out the Dutch people do not understand the heroism that good, because they have never been in such a horrific situation.

In contrary, Georgians were experiencing the war along their history. Therefore, 'they have different temperament

and certain moment more power. Their brave behavior was basically based on their freedom and help towards Texel people against the Germans troop. In spite of small numbers of soldiers they were braver to struggle Germans down. They died here for our freedom...17, 18, 19 years old people died during the World War, and they died for us fighting against fascism in this sense, I have huge respect to the people who created the situation in which I could be free”.

5.5. Identification of the linkages and relations between Georgian and Dutch people based of this dramatic battle

The people on this Texel feel some connections with Georgians; they think Texelers are isolated and independent from the rest of provinces on Holland. This is kind of pride of their identity. The characters described by our respondents find some similarities with Georgian character. As they said, ‘they are Dutch people, but a bit more Texel people then Dutch people’ and that can also be kind of their pride. All respondents shared the huge respect to the people who created the situation in which they fell free. “Dutch People are mostly respectful to the people who reformed against the justice, therefore that Dutch old Lady helped Georgian soldiers during the battlefield and that’s why this Georgian Army’s cemetery is still very well taken care of Dutch people.”



Image 6. Georgian and local Inhabitants on Texel Island.

In spite of the big statement that the punishment from Germans was very hard for Dutch people, they still were standing by Georgian soldiers. They did not obey the strict warnings of German Soldiers and supported Georgians with the food delivery. Especially one brave and heroic lady buried next to Georgian army’s cemetery was called the ‘Mother of Russians’. (Image 7.) She helped the Georgian army with food delivery, catering and looking after them when soldiers were ill or injured. Nowadays, her family is still very proud of their mother’s heroism, justice and history.



Image 7. ‘Mother of Russians’.

Therefore the appreciation and respect of among the Dutch and Georgian people can be seen based on the cemetery, which is very well taking care of Texel residents. They think that this is ‘matter of honor and it must be very clean and nice’. They have a big motivation to keep the cemetery well, because “Dutch people are grateful, they gave their life for them. A lot of Russian soldiers died there for the Texel People. We thank our freedom to them....we are still very grateful to your great-great fathers’. The connections between Georgian and Dutch people commemorate the history and the recent fact also proves the linkages about the recent movie produced in 2008 illustrate the linkages and relationships of Dutch and Georgian soldier.

There were also different outlook about the connections. Some respondents do not feel any links between those nations. As they said, “There is no connection between Georgian and Dutch people, they are strangers for us. Nobody ever heard about Georgia in the war and nowadays it is completely else.” In spite of their perceptions, they still were glad to visit the cemetery during their holiday in Texel. And for our question if they visit the cemetery of their parents, they strictly refused and said they never do.

As we can conclude, in some cases visitors’ perceptions are shaped by different interpretation of historical fact and they cannot recognize the real motive of their visit, although one can be clear that visitors are attracted by the destination which somehow identifies or shares their culture, history, linkages and lifestyle. The factors that tell their story and shape their identity can be regarded as powerful tool for their inspiration to experience and visit the destination.

All respondents were aware about the ‘Last Battle of Europe’, which still plays significant role in the nature of travelers. The battle on Texel Island transformed the landscape into the dark historical destination and nowadays it serves the visitors as a new range of site to commemorate the soldiers, share and remember the battle experiences and historical memories. By visiting the battlefield site on Texel, they pay their last respect to ‘departed’ ones for the remembrance of Dutch and Georgian peoples’ heroic, dramatic and friendly relations.

As the camera captured the facts, the people were continually to visiting this site, which gives the chance for visitors of mourning, pilgrimage, and the possibilities to feel closer to the history and appreciate the spirits of the dead people. Dark tourism in the context of “Last Battlefield of Europe” can be regarded as sacred ground expressing the heroism, linkage, pride and grief of both nations - Georgians and Dutch population.

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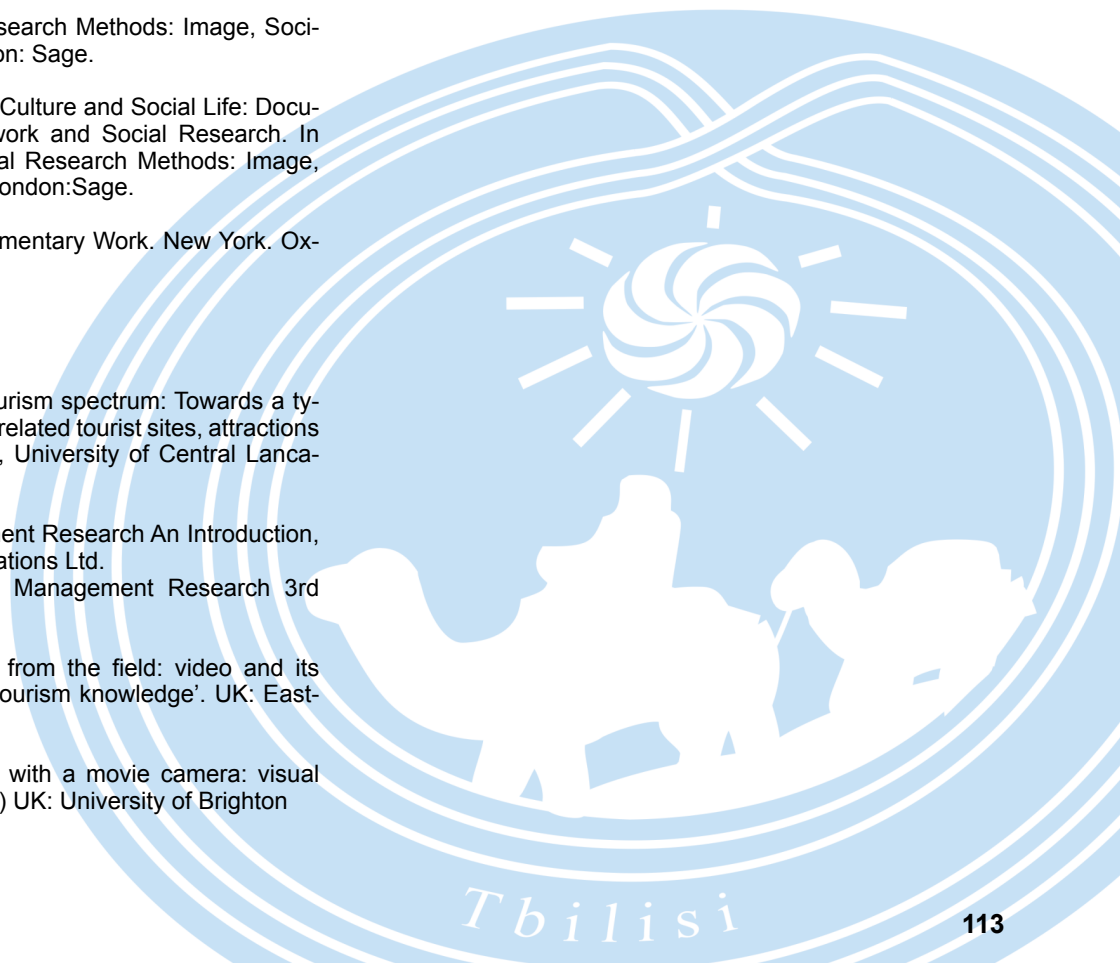
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Effective Competition Agency

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Abstract

EU-Georgia Association Agreement was initiated on 29 November 2013, and it was signed on June 27, 2014. The articles 203-209 of the mentioned agreement are related to competition. As per the article 204 Georgia takes the obligation to adopt a competition law, which will be effectively directed against the economic agents' restrictive actions of competition. In addition, competition legislation should allow effective control over the merger of the economic agents as well as avoid the abuse of dominant position by the dominant economic agent. Georgia is also responsible for the creation of an institution responsible for and having authority to the effective enforcement of competition law.

Before signing the Association Agreement the Government of Georgia assigned the Ministry of Economy and Sustainable Development to work on the amendments and supplements to the Free Trade and Competition Law, which was speedily adopted by the Parliament on 21st March, 2014¹. Significant amendments have been adopted in the law, which can be considered a step forward in terms of convergence with EU legislation. The title of the law has changed and it is now named as the "Georgian Law on Competition".

My article discusses the authority of the Competition Agency in accordance with the applicable law of Georgia, its activities and those legislative faults are emphasized, which hamper the efficient operation of the agency.

Keywords: competition law , EU-Georgia Association Agreement

I. The Authority of the Agency

In accordance with the first paragraph of Article 16 of the Georgian Law on Competition the Competition Agency is being formed to enforce the competition policy in Georgia. Its main task is the enforcement of competition policy in Georgia, creating favorable conditions for the development of competition, protection and the exclusion, detection and suppression of all the activities against all types of anti-competitive activities.

In the world practice the two systems of considering the competition law violations are widespread: single-level, the so-called integrated system and the two-level – separated system². The two-level dispute is common in the United States, where if the anti-trust law violation is ascertained as a result of an investigation, the Antitrust Division of Department of Justice hands the case to the Court for a final decision, and itself acts as the State Prosecutor. It should be noted that the Georgian law on "Free Trade and Competition" adopted on May 8th, 2012, envisaged the two-level procedure, namely, in accordance with the article 29th if the agency would have revealed the law violation as a result of investigation, it used to hand the case to the court for further consideration and the final decision

The administrative authority of the competition agency

has been increased as a result of the amendments and supplements to the mentioned law during this year. Namely, in accordance with the "a" sub-section of the section I of the Article 18th of the Law, the Agency inquires the case based on an application or/and on a complaint or based on its own initiative; according to the "h" sub-section, the administrative functions of the Agency have increased and it is entitled to impose penalties on economic agents based on the outcome of the investigation.

In accordance with the section "o" of the Article 3, the applicant shall be a person who has information or evidence that the competition legislation of Georgia is being essentially violated, though its property is not directly affected and for this it applies to the competition agency. In accordance to the first section of the Article 22, the applicant cannot be considered as a party.

The plaintiff can also apply to the agency by submitting the complaint and the evidence. The latter is considered to be a party with an evidential burden (second section of the Article 22 of the Law). According to the "p" section of the Article 3 of the Law, the complainant may be an economic agent who believes that the competition legislation of Georgia is being violated, and its property is directly affected by

¹ See the Georgian Law on Competition": <https://matsne.gov.ge/index.php?option=com_idmssearch&view=docView&id=2294894&lang=ge>, [15.05.14].

² See Comprehensive Strategy in Competition Policy, Government of Georgia, <http://www.government.gov.ge/files/41_32357_225550/Comprehensive20StrategyinCompetitionPolicy.pdf>, pg.

this violation, for which it applies to the Competition Agency.

The ground for the investigation, usually, is the reasonable doubt that the following articles of the Competition Law are violated: 6th, 7th, 10th, 11th ¹, 11th, 12th or 18.1.f.

The “Competition Agency” carries out the administrative proceedings through two-level procedures³:

1. Check the admissibility of the application/complaint;
2. Study-inspection of the application/complaint

After 5 working days upon registering the application and claim, the Administrative Department of the Competition Agency reviews the eligibility of the application and the claim through a simple proceeding. In case it is considered eligible, the Competition Department is handed it for further investigation.

The Investigation usually lasts for 3 months. Based on the importance and the complicity of the case, this term could be further extended, but no more than 10 months. The Competitive Agency investigates the case through a formal administrative proceeding as per the Chapter VIII of the General Administrative Code⁴.

The agency may request the case-related information and documentation from the interested parties and the relevant economic agents. It is also obliged to send to the relevant economic agents the applications/claims registered against them and give them the period, not less than 5 days and prolonged up to 15 days⁵, to provide their own notes, suggestions or additional information. Usually the competition agency invites the interested parties to the explanatory session. During the investigation, the Agency is entitled to invite an expert for a conclusion on some issues based on the request from the parties or its own initiative.

In accordance with the sections 7th and 8th of the Article 25th of the Law, if necessary, during the investigation the competition agency is entitled to apply to the court with a motivated solicitation and request the on-site inspection of the economic agent against which the application/claim is filed. Based on the mentioned provision, we might assume that the Agency is not entitled to inspect the sites of those economic agents, against which the agency has launched an investigation on its own initiative.

The parliament of Georgia has adopted a special law on “the Control of the Entrepreneurial Activity” in 2001. If in accordance with the section 7 of the Article 25 of the Law on Competition, the competition agency has the right to apply to the court with the request of on-site inspection of the economic agent, by the second section of the Article 3⁶ of the Georgian Law on “the Control of the Entrepreneurial activity”⁴, the controlling body, usually, can only inspect the enterprise or the non-profit legal entity based on the order

of the court.

The control of the entrepreneurial activities envisages the verification of financial-economical activities, general entrepreneurial legislation⁷ and the compliance of the entrepreneurial activities with the competition legislation. Thus, while inspecting the economic agents the competition agency, in my opinion, is entitled to rely not only on the law on the competition, but also on the provisions of the law on the “Control of the Entrepreneurial Activity”, which is a specific law and relates to the inspection of the enterprises and the non-profit legal entities to verify how they meet the requirements stipulated in the law.

According to the section 8th of the Article 25th of the Law on Competition, the competent authority is entitled to inspect the economic agent on site in case:

- a. the information and documentation requested by the agency and submitted by the economic agent is not sufficient to continue the investigation;
- b. there is a danger of destruction or/and hiding the case-related information;
- c. the parties do not meet their obligation to provide the information and documentation;
- d. It is necessary to visually inspect the material assets.

During the on-site inspection, the competition agency is entitled to get acquainted with the documentations related to the economic agent’s activities, including the financial-economical documentations, make copies, get the explanations at the site and enter the legal and actual sites of activities of the economic agent. According to the “Law on Competition” the agency is not entitled to seal up or seize the property under the ownership or use of the economic agent. It is also not permitted to detain a person, inspect its correspondence or eavesdrop the telephone conversations. According to the second section of the Article 3rd of the Georgian Law on “the Control of the Entrepreneurial Activity”, while inspecting the entrepreneur, the controlling body is entitled to enter the enterprise, ask for the documentation, suspend the business activities, seal the property, inspect the enterprise and examine the quality of the production manufactured.

It should be noted that the company’s inspection rules and procedures are regulated in details by the Georgian Law on “the Control of the Entrepreneurial Activity” and the Administrative Procedure Code. The Article 212 of the Code refers to the procedures of applying to the court with a solicitation about the on-site inspection of the enterprise by the controlling organ and its consideration. According the first section, the solicitation of the controlling body is presented to the judge before the inspection of the entrepreneur. According the second section, if there is an immediate and direct danger of the destruction of the evidence, he control-

³ See Turava P., Kharshiladze I., Administrative Procedure, Publisher “Meridiani”, Tbilisi, 2006, pg. 20

⁴ See the General Administrative Code, <https://matsne.gov.ge/index.php?option=com_idmssearch&view=docView&id=16270&lang=ge>, [20.05.2014].

⁵ Ibid, Article 83

⁶ see Law on the Control of the Entrepreneurial Activity <https://matsne.gov.ge/index.php?option=com_idmssearch&view=docView&id=15364&lang=ge>, [28.05.2014].

⁷ See Vachnadze M, Tordia I., Turava, P., Chkepeladze N, Georgia, Comments on Administrative Proceedings Code, publisher “Diogene”, Tb, 2005, p.g. 80 .

ling agency may commence the inspection and submit the inspection request to the judge within 24 hours. Upon submission of the request the controlling agency shall substantiate the urgent necessity of the inspection (third section). In addition, the solicitation should reflect the accurate information about the entrepreneur to be inspected, the terms of the inspection, the nature and the limitations of the inspection.

According to the section 12th of the Article 21st 3 of the Administrative Procedure Code of Georgia, the inspection of the entrepreneur should be carried out only within 15 days. Though, as an exception, in case of a reasonable solicitation, the mentioned term could be prolonged for another 15 days. In addition, in case the turnover of the enterprise to be inspected is more than 1 million GEL, the mentioned 30 days period could be additionally extended for no more than up to 40 days.

According to the section second of the Article 21st 2 of the Administrative Procedure Code the exceptional regulations are stipulated, when the controlling body can start with the proceedings without the order from the court. In this case also, it is obliged to apply to the court within 24 hours and substantiate what was the urgent need for inspection. The controlling body can start the inspection without the prior consent from the court in the following cases:

- it is impossible to suspend the enterprise activities;
- it will considerably harm the enterprise; or
- The entrepreneur asks for the inspection.

If the judge does not happen to legalize the launched inspection of the enterprise, the inspection has to be immediately stopped as per the section 4 of the Article 3rd of the Georgian law on the “the Control of the Entrepreneurial Activity” and the section 6 of the Article 21st 3 of the Administrative Procedure Code. In this case, the entrepreneur might claim the compensation for damages resulting from the illegal inspection. According to the section 5 of the Article 3 of the Law on “Entrepreneurial activity”, the findings derived from the inspection carried out in violation of the law has no legal force.

The Article 21st 3 of the Administrative Procedure Code describes in detail the procedural rules under which the court will consider the solicitation of a controlling body over the examination of the enterprise. The solicitation should be considered within 72 hours after its submission. As a rule, the judge individually reviews the case without a hearing. After receiving the solicitation, the judge is obliged to inform the enterprise about the received solicitation no later than within 24 hours and sends the corresponding materials to the enterprise or its representative. If the judge believes that the further inspection of the circumstances indicated in the solicitation is required, he can consider the case at an open court session, other than the cases related to the Georgian law on “The Operative - Investigation Activities” and the Criminal Procedure Code. The parties have to be informed about the session no later than 48 hours after the submission of the solicitation to the court. The entrepreneur or its representative is entitled to present its consideration in written to the judge within 24 hours after the notice about the inspection and submission of the case materials. If the judge satisfies the solicitation of the agency, it is obliged to provide the parties with the copies. The entrepreneur is entitled to file an appeal to the court issuing the order for cancellation of an order within 48 hours after receipt of a copy.

Together with the case materials, the judge immediately sends the filed appeal to an appellate court, the latter reviews the appeal in compliance with the procedure estab-

lished by law for the first appeals instance. The decision of the appellate court is final and is not a subject for further appeal. According to the section 14 of the Article 21st 3 of the Administrative Procedure Code, the order on inspecting of an enterprise shall take effect only after the expiry of the deadline for appealing the order. The appeal against the order suspends the action of the order.

In order the norms of the competitive legislation to be effectively enforced, under special conditions or so-called emergencies, the competitive agency should have the exceptional authority to inspect the economic agents on site without the advanced permission from the court. It is especially important to reveal the secret cartel agreements, because the unexpected inspection of the economic agents on site is more effective in terms of obtaining classified documents. If the agency wants the inspection of the economic agent on site with the purpose to obtain the classified documents, it is desirable that it happens without the prior notice, as it is impossible to obtain the desired evidences if economic agents know in advance that the competition agency wants to inspect their premises. It is natural, that it can immediately destroy or hide the relevant evidence. Thus, if the competition agency wants to obtain information and/or evidence with the purpose of the case investigation, it is preferable it to implement this procedure without the Court's prior consent and apply to the court only after the initial 24 hours, to legitimize the emergency inspections, otherwise it is highly unlikely it to reach the desired goal.

II. Sanctions

According to the Article 33 of the “Georgian Law on Competition”, in case the agency ascertains the violation of the 6th (abuse of the dominant positions) or 7th (cartel agreements), it can issue a fine for the offenders up to 5 percent of the annual turnover of the economic agent. If economic agents do not obey the decision of the agency or if they repeatedly commit offenses, they might be fined up to 10 percent of annual turnover. In determining the penalty the Agency should consider the harm caused by violation, the duration and severity of the violation. It should be noted that the sanctions stipulated in this article may not be charged for the economic agents functioning in the field of regulated economy. As per the section “r” of the Article 3 of the Law, the fields of regulated economy are commercial banks, electric communications, broadcasting, electricity and natural gas.

In addition to the penalties stipulated in the Article 33, the Agency may use sanctions provided in the “k” sub-section of paragraph 1st of the Article 18 against the dominant economic agent. In particular, the Agency is authorized to raise the issue of the division of economic agent by force to the relevant authorities, in case the dominant economic agent repeatedly abuses its dominant position.

The economic agents who do not provide the requested information or provide incomplete or deliberately misleading information to the agency, the latter may impose a penalty on them in accordance with the sub-section “v” of the Article 18, and Article 32 by thousand to three thousand GEL.

The law restricts the agency to impose sanctions over those economic agents, which violate:

1. Obligation under Article 111 of the law, in particular, has not been informed in advance of the competition authority concentration.
2. Conditions provided for in article 113 of the law, namely involved in an unfair competition.

According to the sub-section "z" of the first section of the Article 18, in case of violation of the mentioned two articles, the agency is only entitled to request the agents to comply their activities with the competition law.

Conclusion

Thus, based on the above analysis of the legislation, we can assume that the competition agency has very limited power to enforce the law and cannot be regarded sufficiently effective.

First of all, it should be considered that competition law should apply to all sectors of the economy, without exception. Exclusion of the important sectors such as the banking sector, electronic communications, electricity, natural gas from the range of competition law seems unjustified, since these sectors have significant role in the development of the national economy. In addition, according to the current EU regulations, exclusion of any sectors of economy from competition law is not allowed, regardless of whether it belongs to the regulated sector of the economy or not. According to the association agreement, there may be dominant or monopolist economic agents in Georgia, but the agreement says nothing about the exceptional sectors. Accordingly, this provision is contrary to EU competition law and the case law, which is incorrect in the sense of approximation of the Georgian legislation with EU law.

The Competition Agency should have more authority for effective enforcement of competition law. It, if necessary and particularly, when there is an immediate danger of destruction of evidence, should be able to inspect the site of the economic agents without the prior consent of the court. In addition to inspecting economic agents at the site, the agency also should have the authority to inspect the real and movable property of employees of the economic agent such as director, lawyer and other employees. For example, it should have the authority of inspection their vehicles. There are frequent cases in the EU case law when for obtaining evidence it is vital to inspect the privately owned property of directors or lawyers. There were also cases when the cartel agreement was not organized by any of the parties of the agreement, but the law firm, which was hired by the parties. Naturally, obtaining information and evidence for the case would have been only possible as a result of the on-site inspection of this law firm.

For an effective enforcement of competition law, it is important to know what kind of sanctions the competition agency has the right to impose against the economic agent breaking the law. As noted above, the Agency may impose against the economic agents penalties of up to 5 percent of the annual turnover in case of only two violations, in case of a cartel agreement and abuse of dominant positions. The penalty of up to 5 percent of annual turnover for violating the provisions may be considered an ineffective sanction because the offender economic agent may prefer a single time payment of 5 or 10 percent of the annual turnover rather than obeying the decision of the agency. Accordingly, it is desirable that in accordance with EU No. 1/2003 regulation, in the Georgian Law on Competition periodical penalty payments to be prescribed to ensure that economic agents abide the decision. In addition, it should be noted that the Agency cannot impose a penalty if the economic agents carry out the concentration without prior notice to the Competition Agency or carry out unfair competition. Thus, the Georgian law on Competition in regard to sanctions imposed against the violation of the norms of the law might be considered inefficient since apart from the fact that it can-

not force economic agents to stop violations, it also can not have a preventive nature.

Finally, I would note that for the prevention of violations of competition law, it is very important to criminalize them. According to Article 195 of Criminal Code adopted in 1999 violation of competition legislation was a crime and the law provided the penalties. The mentioned Article was abolished on 8th May, 2012. It is desirable to restore an article with the same contents in the Criminal Code since on the one hand, it might prove to be preventive and on the other hand, on the basis of the change the investigation authority may apply effective measures in accordance with the Criminal Procedure Code in the investigation of violations of competition law.

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The Dry Port Concept-Analysis of European Experience on Dry Ports' Advantages to Stay Competitive in Today's Maritime Sector and Locational Analysis of Dry Port in Azerbaijan

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Abstract

The volume of international trade and freight transport in Eurasia has witnessed fast growth in recent decades. Dry port concept is turning into the vital part of nowadays ports' competitive strategy. Ports of developed and newly industrialized countries are applying the dry port concept in order to be able to stay competitive in today's maritime sector and to deal with competitive challenges from their competitors.

Dry ports located in deep inland areas, as opposed to near the sea, would incorporate customs and other related facilities and rail links, as well as provide for transfer, transshipment, and distribution functions for cargo. By encouraging a modal shift, such dry ports would help to ease road traffic congestion and reduce emissions

This research aims to analyze the experience of countries in Europe in the field of dry ports and how these ports help to stay competitive in today's maritime sector and applicability of dry port concept to Azerbaijan in terms of location choice and analyzes its possible outcomes.

Keywords: dry port concept; intermodal transport; intermodal freight terminals

Introduction

Driven by the long-term stimulus of increasing worldwide trade and globalisation, the international freight transport industry thrives on continuous change and development, as reflected in managerial, regulatory and technological innovations within the sector. For container ports, in particular, the dynamic nature of such an environment has been most acutely felt in terms of considerable increases in the size of containerships (Cullinane and Khanna, 1999, 2000; Imai et al, 2006). At present, when the freight transport sector experiences very high volumes, congestion, pollution and other logistics-related problems arise due to the increasing levels of traffic. Therefore, there is a need for new solutions in the transport sector. It is essential to develop alternative, more flexible transport systems now in order to avoid critical bottlenecks in the future and to mitigate current and possible future environmental problems associated with the prevailing reliance on road transport. For facilitating the future evolution of container ports, one prospective solution that is emerging more and more often, both in practice and as an identifiable field of research in the relevant literature, is the 'dry port' concept. The dry port concept is based on a seaport directly connected with inland intermodal terminals, where goods in intermodal loading units can be turned in as if directly to the seaport. Between the seaport and the inland terminals, here denoted dry ports, relatively large goods in intermodal loading units can be turned in as if the terminal was positioned directly to the seaport. In such dry ports large goods' flows can shift freight volumes from road to more energy efficient traffic modes that are less harmful to the environment. In addition a dry port can relieve seaport cities from some of the congestion, make goods handling more efficient

and facilitate improved logistics solutions for shippers in the port's hinterland. Physically expanding existing ports or establishing new ports can increase port capacity, but this is in the long run and at considerable costs and endeavours.

Problems concerning environmental issues have received more and more attention during the last decades. Transportation sector is one of the major polluting sectors and it is the only sector that has not yet been able to reduce its emission levels if compared to earlier years (Aronsson and Brodin, 2006). In addition, transportation sector is the only sector with increasing carbon dioxide emission amounts (European Commission, 2009; UIC, 2009). Dry port concept is seen as one possibility to decrease emission levels originating from transportation sector. In the dry port concept majority of freight is transported by rail between seaport and inland intermodal terminal, which is called dry port. Only the final leg of transportation is accomplished by road i.e. main transport mode of the dry port concept is rail. According to many scientific articles (e.g. Roso, 2009a, 2009b and 2007), dry port concept can improve the capacity and cost-efficiency of a transport system; especially seaport's inland access. Furthermore, the concept improves transport system's environmental friendliness. The concept decreases different external costs (e.g. congestion and emission costs), since rail is environmentally friendlier transport mode than road. (Roso 2009a)

This research analyzes the dry port experience of selected European and Asian countries at the beginning period of dry ports. The reason for selecting this period is because

we wanted to analyze the circumstances under which dry ports started in these countries and the formation of institutional support for dry port in the early periods of their inception. We also wanted to compare our local situation with European experience to understand applicability of dry port concept to Azerbaijan in terms of location choice, capacity and source of support. For each country we analyzed, we addressed the following questions in our research. 1. What was growth dynamics of dry ports since their inception? 2. What is the level of support for dry ports (from federal and local governments, financial institutions or private sector)? 3. What was the capacity of dry ports? 4) What kind of services were available at these ports when they were established?

The remainder of this paper is organized as follows. In the first section, we define Dry Port concept. Second section discusses the analysis of experience of Spain, Italy, Belgium, Saudi Arabia, Pakistan and Nepal. The third section of the paper focuses on the locational analysis of dry port in Azerbaijan. The last section includes concluding remarks and analysis of the experience of European and Asian countries in dry ports.

I. Dry Port concept

The Dry Port is a rather new concept, therefore this name is rarely known even in the logistics industry. Moreover, sometimes different definitions are used to describe the concept. Therefore, it is necessary to review existing Dry Port definitions, analyse the concept more deeply and find specific features, differentiating Dry Ports from other transport terminals. There is no official Dry Port definition registered. Therefore, several versions can be found in the literature. Transport terminals having different functions than the ones named in the literature are sometimes containing the term Dry Port in their official name. Tsilingiris and Laguardia (2007) describe the Dry Port concept as an inland intermodal terminal that is directly connected via rail and/or truck to one or more water ports, and which can substitute certain port services in certain areas. The authors stress that the main aim of establishing a Dry Port is to perform certain container handling operations that have undesirable temporal and financial implications when done at a congested seaport. They also propose the main advantages of a Dry Port:

- In a Dry Port container handling costs should be lower inasmuch as the land and the labour cost is lower.
- The spacious facilities together with the intermodal-centric design of the inland port accelerate the operations which are leading to positive monetary implications.
- From a network design point of view, the utilization of Dry Ports can decrease the generalized cost of dispatching containers.

Tsilingiris and Laguardia (2007, p.3) notice that because of the certain services that a Dry Port provides, it may appear to be similar to the distribution centre. However there is a main feature that separates the mentioned terms - a Dry Port is linked to the water port and can therefore substitute certain water port services, while a distribution centre does not necessarily link to a port (for example, the goods can be moved from the port directly to a Dry Port and only then the goods are cleared under customs). Moreover, an inland distribution centre is not necessarily linked to and dependent on sea ports, while a Dry Port is (Tsilingiris and Laguardia, 2007, p.3).

Leveque and Roso (2002, p.50) emphasize that the Dry Port is a particular type of inland intermodal terminal, togeth-

er stressing the importance of port's functions employment at the

Dry Port:

"A Dry Port is an inland intermodal terminal directly connected to a seaport, with high capacity traffic modes, where customers can leave/collect their goods in intermodal loading units, as if directly to the seaport."

Additionally to the basic services, transshipment, that a conventional inland terminal provides, such services as freight storage, consolidation, storage of empty containers, maintenance and repair of containers, customs clearance, and other services should be available at full-service Dry Ports (Roso, et al., 2006, p.5).

The definition suggested by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, 2006, p.2) describes a similar, yet more detailed concept:

Dry Port refers to a defined inland location for the consolidation and distribution of goods that has functions similar to those of a seaport, and which includes customs clearance services. Seaport functions that could be expected to be typically present at these Dry Ports include container (and possibly bulk) handling facilities; intermodal infrastructure connections; a geographical grouping of independent companies and bodies dealing with freight transport (including, for example, freight forwarders, shippers and transport operators); and the provision of accompanying services such as customs inspections, tax payment, storage, maintenance and repair, banking and information communication technology connections.

Furthermore, it is necessary to highlight that Dry Ports are existing as the mean for organizational and business strategies in a logistics chain:

"Dry Ports might be considered as "extended gates" for seaports, through which transport flows can be better controlled and adjusted to match conditions in the port itself. Thus the terminals can help to improve land access to ports in both physical and psychological terms. This means that a "Dry Port" is more related to the organisation and the service and business needs of the transport system, than related to a physical plant" (InterBaltic, 2008).

The given definitions are similar, especially that they all stress the similarity of port's and Dry Port's functions and transshipment function. Additionally, a Dry Port is described usually as container-oriented terminal; however, bulk handling function should not be strictly excluded in all the cases, but considered if there is a need for it in certain area.

To generalize the main idea of a Dry Port concept and to have the leading definition for this report, the following definition has been established:

A Dry Port is an intermodal terminal situated in the hinterland servicing a region connected with one or several ports by rail and/or road transport and is offering specialized services between the Dry Port and the overseas destinations. Normally the Dry Port is container-oriented and supply all logistics facilities, which are needed for shipping and forwarding agents in a port.

Additionally, the possibility to handle bulk cargo should not be strictly rejected and should be considered according to the need – in case there is demand and potential for using this function. A Dry Port can exist as a separate terminal, or it can be a fully integrated part of a logistics centre or logistics platform. It can start its development as a single Dry Port and later expanded considering area and functions; or the other way around – customs clearance and other services characterising Dry Ports can be introduced in one of intermodal terminals in the facilities of a logistics centre/platform, and thus this terminal would become a Dry Port. In both cases, the overall facilities could be called logistics centre/platform with an integrated Dry Port; then the Dry Port would supplement activities of logistics centre/platform. One of the examples is the Logistics Platform of Zaragoza (PLAZA) in Spain (see a website of Zaragoza).

II. Experience of European countries

II.1 Dry ports in Europe

Spain

Dry Port Azuqueca de Henares, situated 30km from Madrid, is jointly owned by the private sector and the state since 1995. The facility has daily rail connections to the ports of Barcelona (600 km), Bilbao (400 km) and Santander (400 km). In 2007, the facility handled 18 000 TEU, which is a significant improvement compared to approximately 3000 TEU handled in 2006. The area of the terminal is 6 ha, of which 1.1 ha are designated for the storage of loaded containers and 1.3 ha are used as depot. The units are handled by one gantry crane, three reach stackers/counterbalanced trucks for loaded containers and one forklift for empty containers. The dry port with its five employees offers a wide range of services, such as customs clearance, maintenance of containers, consolidation, road haulage and the previously mentioned transshipment and storage functions. The biggest impediments to its success were the condition of the existing rail infrastructure, as well as regulations (monopoly of the rail), which were eventually overcome. Advantages resulting from the implementation of the dry port are increased volume, better customer service, new jobs in the area owing to establishment of new customers, and finally lower environmental impact.

Dry Port Madrid in Coslada is a result of joint efforts and interest of the Spanish Ministry of Development, the municipalities of Madrid and Coslada, the Spanish Port Authority and the Spanish national rail operator, RENFE. The idea for its implementation came in 1995 and the terminal was operational in 2000; however, its dry port status was gained only in 2003. The dry port generates advantages such as increased use of rail, which resulted in increased volume and consequently lower transport costs, as well as lower environmental impact and lower congestion at the seaports. Furthermore, the use of dry port brings competitive advantages to the seaports as well as attracting new business in the area that result in the creation of new jobs. Today the dry port's major owners are four Spanish ports with the following distances from the dry port: Barcelona at 600 km, Bilbao at 400 km, Algeciras at 660km and Valencia at 360 km. The dry port is equipped with three reach stackers and three forklifts, for the handling of 60 000 TEUs a year, on an area of 14 ha. Services such as customs clearance and forwarding are also available. There is a storage area of 1.6 ha as well as a container depot of 1.8 ha. This facility experienced the same problems as Dry Port Azuqueca de Henares; and that was the condition of the existing rail infrastructure and regulations.

Italy

Dry Port Santander-Ebro, jointly owned by the private sector and the Port of Santander, began operations in June

2000. The dry port has rail connections to the ports of Santander (400 km), San Sebastian (260 km), Bilbao (300 km) and Barcelona (300 km). On the terminal's area of 10 ha, services offered include transshipment, storage, customs clearance, maintenance and various value-added services such as the control of vehicles for new cars waiting for export. Containers are handled by a counterbalanced truck with top lift. The main reason for its establishment was the development of the Zaragoza area; the intention was to create a logistics hub for Southern Europe (World Cargo News, 2000b).

Sweden

Eskilstuna Dry port in Sweden was the very first intermodal terminal in the country to start using the term dry port in its official name. The dry port was realized through cooperation between the Eskilstuna municipality and the two rail operators. The idea for the development of the terminal came in the autumn of 2002, when the Eskilstuna municipality promised to build a terminal to attract the biggest Swedish apparel manufacturer to the area. The dry port is situated 380km from the Port of Gothenburg and 550 km from the port of Malmo, and handles daily container trains to the ports. Although it is rather new, with operations beginning in 2003, the terminal already handles 45 000 TEUs per year, of which 80 per cent are transported by rail. The terminal area is about 2 ha, with five employees offering services of transshipment with the use of two reach stackers, handling of dangerous goods, storage and depot, customs clearance and road haulage. As the biggest advantage from the implementation of the dry port, the operator pointed out the attractiveness of the municipality for new activities in the area, which resulted in the establishment of new business and consequently the creation of new job opportunities in the area. Furthermore, the movement of large volumes of containers from road to rail resulted in reduced congestion at the seaports, improved seaport inland access and reduced environmental effects along the transport route.

Swedish Dry Port Hallsberg is jointly owned by the municipality and rail operators, who also initiated the development of the combi terminal at the end of the 1990s. The dry port experienced no obstacles to its implementation; today it employs 27 people and has been run by Hallsbergkombiterminalen AB (owned by the dry port owners) since 2003. There are daily rail connections to the ports of Gothenburg, 260 km; Trelleborg, 500km and Malmo, 470km away. On its 6.2 ha, the dry port offers the following services: transshipment with two reach stackers, storage and depot of 0.4 ha, customs clearance, maintenance of containers, cross-docking, forwarding and road haulage. The terminal handles Roso and Lumsden 204 r 2010 Macmillan Publishers Ltd. 1479-2931 Maritime Economics & Logistics Vol. 12, 2, 196–213 65 000 TEU per year. The biggest advantage, apart from improved customer service, is the attractiveness of the region for the establishment of new businesses, which resulted in new jobs in the region. Furthermore, with the dry port, rail transport increased and generated increased capacity and volumes at the seaports, as well as improved inland access to them. Consequently, congestion at seaport terminals as well as environmental impacts decreased.

Belgium

Dry Port Muizen in Belgium was initiated in 1994 by the national railways and it experienced no obstacles during its development, as its financing was made available by the government agency. The dry port is run by Inter Ferry Boats and has a daily rail connection to the ports of Zeebrugge. On an area of 4.2 ha, the dry port offers services of transshipment by two gantry cranes and three reach stackers, as well as storage. Today, the dry port handles approximately 12 000 TEU all of which are transported by rail to the seaports. The biggest advantage is lower environmental effects owing to use of rail for the transport of containers.

II.2 Dry ports in Asia

Saudi Arabia

Riyadh Dry Port in Saudi Arabia started to operate in 1982, and in 2003. it reached 250 000 TEUs in volume handled and transported by rail to King Abulaziz port (400km distant) in Dammam. The area of the dry port is 92 ha, of which almost 4 ha are destined for storage. The dry port is run by the Saudi Railway Organization and owned by the Saudi Port Authority. Services available are transshipment by gantry cranes, reach stackers and forklifts; refrigerated storage; customs clearance; maintenance of containers; road haulage and forwarding. The main advantage it provides is improved customer service.

Nepal

The privately owned Birgunj dry port in landlocked Nepal has been operational since 2005; however, the process of implementation was not smooth. From the initial idea in 2000, many problems occurred, in areas such as the appointment of appropriate bidders and the evaluation of financial proposals. Even after the completion of the terminal, the problem was to reach a service agreement with the Indian Railways (World Cargo News, 2001). The terminal has a fixed timetable rail connection to the Port of Kolkata (approximately 700 km away). Although privately owned, the financing was supported by the World Bank (World Cargo News, 2005). Containers are handled on an area of 38 ha with three reach stackers and one reach stacker for empty containers. To attract more customers, the dry port offers reduced tariffs, simplified documentation and increased rail frequency.

Pakistan

Faisalabad Dry Port is the biggest privately owned dry port in Pakistan, in terms of volume and value. The dry port opened for operations in 1994 by a board of trustees whose main intention was to facilitate exports of the local textile industry. There are daily road and rail connections to Karachi Port. Annually, there are about 33 000 TEU for export and 7000 TEU for import, handled by four reach stackers and forklifts for empty units. The dry port contributed significantly to the development of the industry and trade in the area. Apart from this, the facility enabled lower transport costs and better customer service by offering customs clearance and storage.

III. Locational analysis of Dry Port in Azerbaijan

III.1 Importance of Location for Azerbaijan

Azerbaijan is located in a very strategic location; on the crossroads of Europe and Asia. Although, Azerbaijan is landlocked from West, North and South, its eastern borders are surrounded by Caspian Sea. The country is mainly considered as a trans-shipment point for the transportation of the goods from Asia to Europe and vice versa. Especially, the possible restoration of The New Silk Route will improve the trans-shipment importance of the country

As we see from the Figure 1, the Europe-Asia transportation route is mainly crossing through Azerbaijan and Caspian Sea plays vital role in this process. The possible restoration of The New Silk route, will increase importance of port of Baku in the region and although the port will be able to handle over 1 million TEU by 2015 (Ministry of Transport of Azerbaijan, 2010), building dry port in a specific distance from port of Baku seems to be inevitable because of possible increase of cargo transportation via Baku.

Both centrality and intermediacy of dry port carry significance for efficiency of trade of Azerbaijan. As port of Baku

plays important role in the trans-shipment of goods from Asia to Europe and vice versa, dry port in Azerbaijan can easily gain intermediacy because of its geographical location and proximity to both Asian and European markets. As we see from the map above, for both Europe and Asia, Baku is one of the closest markets for the usage of the location as a trans-shipment point for transportation of the goods from Europe to Asia and vice versa. As we know from the case of Singapore and from other similar stories mentioned before, intermediacy carries more importance for trans-shipment hubs and seaports. So, Azerbaijan's proximity to both Asian and European markets is creating favorable condition for building dry port in Azerbaijan.

As we see from the Table 4, even the crises did not affect much the amount of trans-shipped goods via Azerbaijan in the transport corridor of Europe-Caucasus-Asia. Moreover, the data clearly indicates that, sea trade has gained more significance than rail transportation as a trans-shipment point in last two years. This clearly states that, the importance of Azerbaijan for this transport corridor will keep on increasing in the future; as country is renovating its transport structure and improving hinterland connections. Additionally, it can be claimed that, sea trade will be used more frequently for trans-shipment. So, locating efficient dry port in terms of trans-shipment near Baku will result in attraction of customers, liner and carriers because of its close distance to the market and eventually it will lead to development of the region and will turn the dry port into the one of the most important sites of the region.

In later stages, as dry port gains importance in the region because of its intermediacy, it will be considered as a central site of the region. Of course, before holding the status of centrality, dry port should attract all value added functions and businesses to the area. Moreover, centrality of dry port will attract all skilled employees and information know-how will occur. So, it is better to have a look at Azerbaijan's imports and exports in order to analyze possible flourishing of dry port as a central place in the future. Main trade partners of Azerbaijan also determine the feasibility and effectiveness of locating dry in Azerbaijan.

According to The State Statistical Committee of the Republic of Azerbaijan (2011), most of the commodities are imported from Russia, China, Japan, Germany and Turkey. As we see from the data above, locating dry port in Azerbaijan will significantly increase the chance of agglomeration of businesses like machinery and transport equipments, base metals, mineral products and exc. within the area of dry port. This will reduce unemployment rate in Azerbaijan in significant amounts as skilled labors will pool around dry port area. In that way, centrality of dry port will attract more value added functions to the region and will act as a stimulant of Azerbaijanian economy. Especially, as China and Russia are the main import trade partners of Azerbaijan, role of Caspian Sea in the transportation of imports is vital and will keep on growing in the future also.

Most of the exports of Azerbaijan contain crude oil and oil products. Apart from oil, Azerbaijan mainly exports vegetable products, prepared food stuffs, tobacco, mineral products base metals and exc. and the main export partner of Azerbaijan are Russia, US, China, Ukraine, France, Indonesia, Croatia, Italy, Georgia, Malaysia and Singapore (The State Statistical Committee of the Republic of Azerbaijan, 2011). As we see from the statistics given, some of Azerbaijan's growing export and import partners are Eastern Asian countries and Caspian Sea is the best way to transport imports and exports to and from Azerbaijan to Eastern Asian countries. So, growing trade with Eastern Asian countries, possibility of trading with Iran and Russia via Caspian Sea and possible restoration of the New Silk Route in upcoming future will necessitate construction of dry port in Azerbaijan. As explained earlier, in the first phase of development it will be intermediate point and will operate mainly as a trans-shipment point between European and Asian market. In later stages, it can easily gain centrality as it can attract lots of value added functions and businesses to the surrounding areas. As Azerbaijan is strongly trying to diversify its



Figure 1: TRACECA Map

Source: <http://www.mayaforwarder.com/map.middleeast.htm>

Table 4. Activity of the transport of Transport Corridor Europe-Caucasus-Asia in the territory of Azerbaijan

Thousand US dollars

	2007	2008	2009	2010
Transported goods, thousand tones	47.939	51.371	47.443	51.688
Railway	26.861	25.738	19.247	20.578
Sea	6.047	6.803	8.029	9.370
Road	15.031	18.830	20.167	21.740
Transportation transit goods, thousand tonnes	11.014	11.816	13.283	15.971
Railway	5.661	6.221	6.455	8.253
Sea	5.353	5.595	6.828	7.718
Road

Source: The State Statistical Committee of the Republic of Azerbaijan, 2011

Table 5. Structure of main Imports of Azerbaijan

Thousand US dollars

	Groups of products	2008	2009	2010
1	Vegetables products	519547.2	313928.2	437424.0
2	Prepared food-stuffs; beverages, spirits and vinegar; tobacco	486012.9	519619.3	616372.1
3	Mineral products	336807.4	172194.4	208159.5
4	Products of the chemical	438000.2	402386.8	437889.4
5	Base metals and articles of base metal	764269.8	663728.3	925168.1
6	Machinery and mechanical appliances, electrical equipment, apparatus	2208273.1	2132293.7	1903199.7
7	Vehicles, aircraft, vessels and associated transport equipment	1218674.6	776714.9	796946.3

Source: The State Statistical Committee of the Republic of Azerbaijan, 2011

economy and is trying to get rid of dependency from oil industry, constructing dry port can also stimulate this process in terms of diversification of exports and imports

To conclude, location is very important factor for Azerbaijan and for its future development. The country is situated on a very strategic location and the 20 construction of dry port in Azerbaijan can easily make the dry port gain the status of intermediacy because of its proximity to markets and in later stages it can easily act as a central site and can stimulate the growth of the country's and region's economy.

III.2. Dry Ports of Azerbaijan:

III.2.1. Dry port sites

There are several locations to choose as a dry port in Azerbaijan. We selected dry port location based on its railway and road connections with port of Alyat and with port of Baku.

As we from the map above, for locating dry ports, there are several locations those can be considered as strategically reasonable sites in terms of their rail and road connections. We selected the area of Kyurdamir and Imishli, as shown on the map, to assess and examine the effectiveness and perspectives of these locations. According to Mukul Jain, if port of Alyat is planning to handle 1 million TEU by 2015, it is better to distribute the 1 million TEU handling between two dry ports than putting pressure on a single dry port, as it would be more profitable and efficient if two dry ports handle 500,000 each instead of one dry port handling 1 million TEU all by itself. It is better to disperse advantages to two different locations instead of one and in this way we can optimize costs.

Kyurdamir is located 134 km from port of Alyat and 216km from port of Baku, Imishli is 184 km away from Alyat and 266 km from Baku. As we see from the shown map, Kyurdamir and Imishli have both rail and road connections to both port of Alyat and to Baku, the latter one is indirect linkage and indirect railway from Kyurdamir and from Imishli to port of Baku through Alyat. As dry port concept favors mostly the transportation of goods by railway and as Kyurdamir and Imishli can be considered as a middle-range dry port mainly because of their

distance from port of Alyat, the transportation of freights from Kurdamir and Imishli to Alyat and to Baku should be executed by railway.

III.2.2. Benefits of locating dry ports in Azerbaijan

First of all, locating dry ports in the area of Kyurdamir and Imishli, will relive congestions on the roads of Baku and Alyat, as the transportation of freights from Kyurdamir and from Imishli to Alyat and to Baku will be executed by railways. In result, the surrounding areas of port of Alyat and port of Baku will get rid of congested traffic and high environmental impacts. Secondly, locating dry ports in the area of Kyurdamir and Imishli will obviously attract more labor forces to the region and the unemployment level will decline in significant amounts, as nowadays government of Azerbaijan is struggling with unbalanced unemployment level in Baku and in other regions of the country. Because of low level of employment in other regions of Azerbaijan, most of the people started migrating towards Baku in order to find jobs and in result the city of Baku is suffering from overcrowd of population.

As we see from the data above, Kyurdamir and Imishli are both located in Aran economic zone. Moreover, the situation regarding to employment levels in Aran and in other regions are undesirable and we can see huge gap between the level of employment in Baku and the level of employment in other regions of Azerbaijan. So, we think that, locating dry ports in the areas of Imishli and Kyurdamir will surely create job opportunities for the unemployed people living in Aran and in the surrounding areas of the region. Apart from that, constructing dry ports in this region, will increase the number of employees in transport sector and will attract value added functions and business to the area. These two dry ports can easily gain the status of intermediacy as Azerbaijan is located on a very strategic point and attracting all businesses to the area will turn these dry ports into the central locations. In that way, the region of Aran can contribute a lot to the transport sector of Azerbaijan.

Additionally, constructing two dry ports in the area of Azerbaijan, will surely give competitive advantage to the country in competition with other ports of Caspian Sea. When we consider West side of Caspian Sea, Azerbaijanian ports are



Figure 2: Rail connections of Azerbaijan
Source: <http://mapsof.net/map/azerbaijan-railway-map>

Table 6. Number of employees by economic region

In thousand

	2007	2008	2009
Republic of Azerbaijan	1376,0	1410,3	1385,4
Baku city (with settlements)	593,7	616,4	603,8
Absheron economic region	80,7	82,8	80,0
Ganja-Gazakh economic region	142,4	142,50	139,0
Shaki-Zagatala economic region	69,8	70,2	68,9
Lankaran economic region	68,8	69,9	69,2
Guba-Khachmaz economic region	50,3	50,6	50,2
Aran economic region	216,6	216,7	211,7
Kurdamir region	9,8	9,6	9,6
Imishli region	13,0	13,3	13,0
Yukhari Garabagh economic region	42,9	43,2	43,1
Kalbajar-Lachin economic region	20,3	20,9	21,0
Daghigh Shirvan economic region	27,3	27,4	27,0
Nakhchivan economic region	63,2	69,7	71,5

Source: The State Statistical Committee of the Republic of Azerbaijan, 2011

competing with the ports of Iran and Russia. Delays, longer waiting times and difficulties in the process of documentation in the ports of Azerbaijan, will obviously make carriers use the ports of Iran and Russia instead of ports of Azerbaijan. As the country is located on a very strategic point and as the new port is planning to handle 1 millions TEU by 2015, without the availability of dry ports, the port of Alyat will surely suffer from over congestion and delays. So, constructing dry ports in Azerbaijan will give competitive advantage to the country over its competitors and it will lead to the usage of Azerbaijanian ports more frequently by carriers.

Moreover, as it is shown on the map below, the chosen two locations are situated on the pre- defined TRACECA routes.

Locating on those routes will surely increase the importance and effectiveness of those dry ports and will make them gain the status of centrality and intermediacy in the future.



Figure 2: Crossing TRACECA routes through chosen dry port locations
Source: <http://www.mayaforwarder.com/map.middleeast.htm>

Conclusion

To be able to stay competitive in maritime sector, many countries in the world have established their own dry ports and intermodal terminals. Our analysis of international experience on the role of dry ports focused on selected countries in Europe and Asia countries and locational analysis of dry ports in Azerbaijan. The current research studied dry port experience at different countries under analysis in the early days of dry ports. The reason for selecting this period is because we wanted to analyze the circumstances under which dry ports started in these countries and the formation of financial support for dry ports in the early periods of their inception to compare with that of Azerbaijan. When it comes to the ownership of the reviewed dry ports, there is no apparent pattern; one can observe all three types of ownership: private, state/municipality or the combination of both. However, there is a continent pattern to a certain extent when it comes to ownership. In Europe, most of the dry ports are jointly owned by private sector and municipality or some other state agency state ownership, and in Asia dry ports are either state or privately owned.

All of the reviewed dry ports differ in the volumes handled and in the size of their terminals, with no apparent pattern. There is one common feature for all of them, and that is the daily rail connection to the seaports. When it comes to handling equipment, all of the dry ports are equipped with reach stackers for handling containers of different weights. In addition, some also have gantry cranes or forklifts for empty containers. Customs clearance and storage, besides transshipment, are common services available at all reviewed dry ports, though not at Muizen, which as such might be categorized as a conventional intermodal terminal. Other services available at the majority of the dry ports are maintenance of containers, forwarding and road haulage. Some of the reviewed dry ports offer more value-added services in accordance with their customer needs. The most important advantage resulting from dry ports is better customer service, which is recognized differently by the reviewed dry ports but might be summarized by the following: lower transport costs, more value-added services at the customer's doorstep, faster transport of units to/from the seaports, faster customs clearance, simplified documentation and lower storage rates.

Our conclusion from international experience was that building dry port has lots of advantages like reduced congestion at the seaports, increased capacity and the volumes at the seaports, improved customer service, decreased environmental impacts and attractiveness of the region for the establishment of new businesses, which resulted in new jobs in the region. All the investigated countries' dry ports are taking advantage of mentioned benefits. Therefore we think it is a must to establish a dry port in Azerbaijan and operation of two dry ports in Azerbaijan would be more than enough in order to ensure the effectiveness and competitiveness of the port of Alyat. Apart from being only beneficiary to the port of Alyat, the dry ports can surely stimulate the improvement of the economy of Azerbaijan and can increase the competitive advantage of sea trade of the country.

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Competitive Advantages of Georgian Agricultural Products on the EU Market

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Abstract

Several studies identified different Georgian agro sectors as having competitive advantages, mainly these are the potential advantages. For identification of the competitive advantages of various Georgian agro products we used the methodology determining their competitiveness based on the major characteristics of the target market and the existing export conditions of the agro products. On the first stage there have been identified product groups, (based on the ITC 4 digit trade statistics) demonstrating good export performance, as well as product groups (based on the same 4 digit trade statistics) of the EU import market demonstrating high economic performance. The next step was to establish a competitiveness index. The index of competitiveness was calculated by combining the growth of the EU imports (in per cent multiplied by five times), the share of non-EU exporters by EU imports (in per cent multiplied five times) and their qualitative rating. For all calculations were used the joint UNCTAD/WTO International Trade Centre (ITC) 4 digit trade statistics (<http://www.intracen.org/tradstat>) in order to analyse the global market trend for these sub-sectors, the EU market trend, and for identifying the key players in the EU market. Also for the qualitative rating were used the 4 digit trade statistics of the Georgian Statistics Department (<http://www.geostat.ge>).

Keywords: Agricultural products, EU markets, competitive advantage, competitiveness index, 4-digit trade statistics

Georgia traditionally was a net exporter of agro products during the period of the USSR. However, after Georgia's gained independence, the agricultural sector faced dramatic problems, as traditional markets and value added supply chains were interrupted. Upon becoming independent, Georgia suffered ethnic conflicts and civil war.

However, even in a relatively peaceful period, there still was any significant growth in agricultural production and quality even decreased in some instances. The dismal performance of Georgian agriculture stems from a combination of post-transition fragilities (small scale of land plots, lack of economies of scale, destruction of previously existing value added chains) and of the rather "naïve" approach to market liberalization in agricultural sector pursued by the Georgian government after the Rose Revolution.

Georgian farmers have had to compete with both highly subsidized and/or highly efficient farmers of neighboring EU and of other leading agricultural countries (Ukraine, Russia, and Turkey). This could have been a harsh but potentially viable strategy, if in the meantime Georgian farmers have had access to basic development tools: agricultural finance, crop and cattle insurance, technical assistance in the field (co-operative extension), efficient veterinary services, access to appropriate seeds and animal genetics, adequate rural infrastructure, irrigation, etc. Unfortunately, Georgia failed to gain ground in any of these spheres. Agriculture and the agribusiness sector was severely diminished in the meantime. Collectively the plethora of problems, in its turn, has led to the current dire situation in in Georgian agriculture.

There are some reasons to believe that the "naïve" approach to agriculture development that has prevailed until now could be replaced by a more proactive strategy. New Georgian Government proposed a special program to support farmers and build new agro enterprises. Simultaneously the Government of Georgia (GoG) took special steps to overcome the existing problems on the Russian market. At the same time GoG seeks to sign Deep and Comprehen-

sive Free Trade Agreement with the EU. EU agro products market is one of the biggest and fastest growing; in some specific product groups EU imports exceed 50% of the world imports. Geographical proximity of the EU market could also be considered an additional advantage. Thus the EU market would be a major target market for the Georgian Agro products. Highly competitive and very tough EU agro products market needs very careful and tailored approach to utilize all the existing or potential advantages.

Several studies identified different Georgian agro sectors as having competitive advantages, mainly these are the potential advantages. For identification of the competitive advantages of various Georgian agro products we used the methodology determining their competitiveness based on the major characteristics of the target market and the existing export conditions of the agro products. On the first stage there have been identified product groups, (based on the ITC 4 digit trade statistics) demonstrating good export performance, as well as product groups (based on the same 4 digit trade statistics) of the EU import market demonstrating high economic performance. The next step was to establish a competitiveness index. The index of competitiveness was calculated by combining the growth of the EU imports (in per cent multiplied by five times), the share of non-EU exporters by EU imports (in per cent multiplied five times) and their qualitative rating. The growth of EU import market was calculated for the period between 2008 and 2012; the share of non-EU exporters was defined for the 2012. Qualitative rating for Georgian agro products was defined as the combination of two sub-indicators. The first sub-indicator indicated the existing export performance of Georgian agro products on the EU market. Number 2 was assigned to the agro products which had stable export performance between 2010 and 2012; number 1 was assigned to the groups of agro products which had export presence of any kind for the same period. By number 0 were indicated groups without any export presence on the EU market. Second sub-index indicated the export performance of all exported Georgian agro products in 2012. For this reason was calculated the

share of the group of agro products within the whole export (products 01-23 by the HS system) of agro products for 2012. 1 was the rate for the product groups which represent the share up to 5%; 2 for the product groups with the share ranging from 5 to 10%; 3 for the product groups with the share above 10%.

For all calculations were used the joint UNCTAD/WTO International Trade Centre (ITC) 4 digit trade statistics (<http://www.intracen.org/tradstat>) to analyse the global market trend for these sub-sectors, the EU market trend, and for identifying the key players in the EU market. Also for the qualitative rating were used the 4 digit trade statistics of the Georgian Statistics Department (<http://www.geostat.ge>). Initially were defined agro product groups based on the above mentioned methodology, results of the 18 (4 digit) product groups are presented in the annex 1; after the careful calculations number of groups have been decreased to 14 (4 digit) product groups, results are presented in the annex 1. What type of recommendations could be presented based on the findings of the research?

The clearly defined tendency is that recovery in EU is going slower than in the world. This fact proves that the market growth rates in the world for the 2008-2012 are higher than in EU. This fact is interesting taking into consideration that for the 2003-2008 EU market growth rates were higher. Despite this fact EU market is still one of the biggest in the world and clearly is strategic one for Georgian agro producers. Taking into consideration the distance and transport infrastructure between EU and Georgia, Georgia should give a priority to products that have a long shelf life which is obviously the case for processed, preserved, dried or frozen products. It is virtually impossible to compete at this stage with efficient producers of fresh products from North Africa. However, Georgia should clearly identify the strategic markets in EU and entry strategies (including entry modes, market providers etc.). Taking into consideration the fact that Georgia is in the South East of the EU, Georgian producers should find out special products the harvest period of which is earlier than in most EU countries. Such an advantage would be short in time but clearly could give the price premiums. Another problem for the exports of the Georgian agro products is their small amount. The highest competitive index have the groups which are operating on the most competitive markets, exception is for the group 0802. The DCFTA wouldn't increase the export potential of Georgian agro products immediately as the major obstacle couldn't be defined as the access to the EU market. The GoG should implement additional support activities for Georgian farmers to at least improve their positions towards highly-subsided EU competitors. Meanwhile the support for the farmers should be more tailored in order to identify most promising product groups in terms of both - production and EU import opportunities. Assistance to Georgian farmers could be based on the twofold approach: basic assistance would be given to all farmers such as market information, access to cheap loans, technical support; additional assistance would be given to farmers who are operating with the most promising agro product groups. As one of the major criteria for the defining most promising agro product groups should be the openness of the EU market. This strategy would allow Georgian agro producers to compete with non-EU producers thus the DCFTA would play the crucial role to build up and sustain competitive advantage. The GoG should initiate the special investment protection scheme for the investors from EU with the additional advantages for the investors in agro sector. The GoG could initiate the invention of the regressive profit tax model for the companies exporting agro products. Regressive profit tax means that the tax rate would decrease when the profit increases. These initiatives could really increase the attractiveness of the Georgian agro products for the EU investors. Low awareness of EU consum-

ers of Georgian agro products also needs taking specific steps. Quite well-known initiatives such as Georgian Export Houses, special trade shows and demonstrations could be considered as basic activities. Promotion of Georgian agro products could be binded with the special tourist activities. Also should be considered the creation of the special web sites to increase the awareness of EU consumers. Best EU e-commerce companies should be attracted to sell Georgian agro products or even promote them.

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Technical Annex

Group digit World import 2012 World Import Growth
2008-2012 EU import 2012

102	9021295	38.70%	2971952
104	933208	-32.50%	259654
409	1716054	37.70%	858561
802	13105151	53.50%	5189456
805	12773927	11.00%	6141371
810	10850765	14%	3887812
811	4177773	21%	2415596
910	1727595	23%	656589
1211	2688327	35.40%	735028
2009	16423346	0.30%	8941943
2202	15702859	9.40%	7395213
2204	33620325	11.60%	15353568
2208	29378946	23%	8859967
2306	7032444	41.80%	3566331

Group digit World import 2012 World Import Growth
2008-2012 EU import 2012

102	9021295	38.70%	2971952
104	933208	-32.50%	259654
409	1716054	37.70%	858561
701	3749973.00	37.70%	2075905.00
703	4711765	20.90%	1400814
802	13105151	53.50%	5189456
805	12773927	11.00%	6141371
810	10850765	14%	3887812
910	1727595	23%	656589
1208	711272	-27%	267539
811	4177773	21%	2415596
1211	2688327	35.40%	735028
2009	16423346	0.30%	8941943
2001	3080522	-10.50%	1101812
2202	15702859	9.40%	7395213
2204	33620325	11.60%	15353568
2208	29378946	23%	8859967
2306	7032444	41.80%	3566331

Share of world EU import growth EU imports from % in export of index of
 2008-2012 non EU countries Georgian products competitiveness
 of groups 01-23
 in 2012

32.90%	12.40%	0.70%	8%	2.66
28%	-16.80%	0.20%	4%	1.17
50%	16.80%	51.80%	0.00%	4.43
55.4	-6.60%	9.90%	0.00%	0.00
29.70%	-3.10%	26.00%	0.00%	0.00
39.60%	15.00%	71.30%	16%	9.315
48%	-11%	33.50%	1%	3.13
35.80%	3.10%	28.90%	1%	3.60
38%	12%	42%	1%	5.70
37.60%	-13.70%	12.40%	0%	0.00
57.80%	9%	43.20%	9%	4.60
27.30%	7.60%	48.20%	0%	4.79
54.40%	-3%	38%	2%	4.75
35.70%	-15.40%	6%	0%	0.00
47%	0.70%	17.70%	4%	3.92
45.70%	-5%	22%	13%	5.85
30%	-5.40%	19.90%	16%	5.73
50.70%	37.50%	45.80%	1%	5.17

Share of world EU import growth EU imports from % in export of index of
 2008-2012 non EU countries Georgian products competitiveness
 of groups 01-23
 in 2012

32.90%	12.40%	0.70%	8%	2.66
28%	-16.80%	0.20%	4%	1.17
50%	16.80%	51.80%	0.00%	4.43
39.60%	15.00%	71.30%	16%	9.315
48%	-11%	33.50%	1%	3.13
35.80%	3.10%	28.90%	1%	3.60
57.80%	9%	43.20%	9%	4.60
38%	12%	42%	1%	5.70
27.30%	7.60%	48.20%	0%	4.79
54.40%	-3%	38%	2%	4.75
47%	0.70%	17.70%	4%	3.92
45.70%	-5%	22%	13%	5.85
30%	-5.40%	19.90%	16%	5.73
50.70%	37.50%	45.80%	1%	5.17

Define Entry Modes and Strategies of Georgian Agricultural Products on the EU Market

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Abstract

Author tried to define major competitive advantages of Georgian Agro Products on EU Market. Based on this research were identified most promising product groups (4 digit Trade Statistics). What strategies could be used by Georgian companies operating within these product groups 0802; 0910; 2204; 2208; 2306; author defined the complex indicator based on the market size and growth rate. The biggest market (markets have been evaluated as the average for 2008-2012 period) was ranked as 1; all others have been ranked as share of the biggest markets. Ranks have been multiplied by 0,6. Second part of the index is the growth rate where the highest growth rate for the period 2008-2012 is ranked as 1, all other markets growth are defined as share of the highest growth rate. The defined number multiplied by 0,4. Both parts are computed and the most attractive markets are defined.

Based on the research findings the following recommendations could be finalized

1. Georgian Government should invent the new taxation model for the profit tax, such as the regressive model
2. Georgian Government should intensively communicate all opportunities of the Georgian legislation and other opportunities with the EU partners;
3. Georgian Government could organize special event for the leading and not only agro trading companies from EU; priority should be given to the wholesaling companies;
4. Special Georgian Weeks should be organized in target markets; for example if trading companies from Baltic States are starting to re-export Georgian products to Nordic Countries would be rationale to organize Georgian weeks in Nordic States.
5. Special preferences should be introduced for the Agro Tourists.

Keywords: Georgia, agricultural products, EU, 4 digit trade statistics, competitive advantage

In the previous publication the author tried to define major competitive advantages of Georgian Agro Products on EU Market. Based on this research were identified most promising product groups (4 digit Trade Statistics). What strategies could be used by Georgian companies operating within these product groups 0802; 0910; 2204; 2208; 2306? It should be mentioned that Georgian companies are limited in the definition of export market entry strategies. Uppsala model couldn't be used by Georgian companies due to the very small size of the Georgian market, thus Georgian companies are born globally with all of the advantages and disadvantages. Georgian companies have quite longstanding tradition of the exports on the CIS markets. Unfortunately the differences between CIS and EU market are huge. CIS country markets with the high State regulations and corruption are totally different from EU market. Even the transfer of the knowledge from CIS market to EU market isn't possible. Thus, Georgian companies should identify the most effective strategies to fully utilize opportunities of EU market. Initially following the common theory Georgian companies should identify what indicators are playing major role for their development. First of all, we define the markets with the highest growth rate (growth rate was defined for the period 2008-2012). All calculations have been based on the joint UNCTAD/WTO International Trade Center (ITC) 4 digit

trade statistics (<http://www.intracen.org/tradstat>). The three leaders in each product group are:¹

0802	Sweden - 46%	Netherlands -44%	Finland -44%
0910	Lithuania-86%	Portugal-74%	Poland- 71%
2204	Lithuania – 150%	Czech – 12%	Slovakia – 10%
2208	Malta – 50%	Netherlands -47%	Lithuania – 44%
2306	Lithuania – 86%	Slovakia – 43%	Germany – 31%

Market growth rate is quite an important indicator, but it couldn't be used as the only indicator. Market size plays always crucial role when companies are defining their target markets. This approach is quite naive as the rationale behind is the same for all other competitors. Thus, the biggest markets are the toughest ones for the competition. Beside this fact the biggest markets are well structured with the well defined rules for all players

Thus, make sense to define markets based on the both criteria's for these reasons author defined the attractiveness index based on the market size and growth rate. The biggest market (markets have been evaluated as the average for 2008-2012 period) was ranked as 1; all others have been ranked as share of the biggest markets. Ranks have been multiplied by 0,6. Second part of the index is the growth rate where the highest growth rate for the period 2008-2012 is ranked as 1, all other markets growth are defined as share of the highest growth rate. The defined number multiplied by 0,4. Both parts are computed and the most attractive markets are defined

0802	Germany – 0,91	Italy – 0,66	Spain -0,56
0910	Netherlands- 0,92	Germany-0,89	UK- 0,85
2204	UK – 0,75	Italy – 0,63	Belgium – 0,58
2208	Germany – 0,9	France – 0,77	Spain – 0,72
2306	Netherlands – 0,68	Poland – 0,53	Spain – 0,42

As it was predictable biggest markets are the most attractive. It would be useful to define additional criteria to identify the target market. The brand awareness could play the important role and in case of Georgian companies, the brand awareness should be substituted by the State awareness. Majority of European consumers are not informed on Georgia. In this respect Baltic States are different, awareness about Georgia in Baltic States is quite high. This opportunity should be utilized to the highest possible extent. Also companies from Baltic States could be used as the market providers for Georgian Agro products in Nordic Community. Awareness of Georgian products would increase gradually step by step.

Another possible resource for utilization could be companies from the former Soviet Block countries. The approach should be used; the same Czech and Slovakian companies could play a role of market providers for the central Europe. Bulgaria could play the same role for the Mediterranean community.

The signing of the Deep and Comprehensive Free Trade Agreement (DCFTA) between EU and Georgia would fuel the trade relations and first of all EU trading companies should be welcomed in Georgia.

Georgian companies should define entry strategies also based on their experience. The new exporters should use the well known "safest" entry strategy. In this regard the markets with the high growth rates could be the most attractive for Georgian newly established exporters. Georgian companies should gain experience from the export markets and thus the safest entry modes are most promising ones. At the same time Georgian newly established exporting companies should concentrate on the markets where awareness of Georgia is quite high.

Different approaches could be used by exporting companies having experience on the EU market. These companies could be more flexible and intensify exports from Georgia not only by Georgian products. DCFTA gives the unique opportunity to Georgian companies to utilize the "Made in Georgia" regime, re-exporting products from the other countries. In this term also should be noted that Georgian Legislation is giving profit tax exemption for the re-export operations. These advantages needed the intensive communication with the possible EU partners and would give additional stimulus to increase exports from Georgia.

Based on the research findings the following recommendations could be finalized

1. Georgian Government should invent the new taxation model for the profit tax, such as the regressive model
2. Georgian Government should intensively communicate all opportunities of the Georgian legislation and other opportunities with the EU partners;
3. Georgian Government could organize special event for the leading and not only agro trading companies from EU; priority should be given to the wholesaling companies;
4. Special Georgian Weeks should be organized in target markets; for example if trading companies from Baltic States are starting to re-export Georgian products to Nordic Countries would be rationale to organize Georgian weeks in Nordic States.
5. Special preferences should be introduced for the Agro Tourists.

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¹ The all calculations are in the Technical Notes

Convergence or Divergence between European HRM and American HRM

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Abstract

American HRM has shareholder perspective, and European HRM has stakeholder perspective. This creates divergence between HRM of both markets. This divergence makes social context important in European HRM. European HRM aims to protect interests of society; therefore, there is involvement of social partners in European HRM. American HRM aims to protect interests of shareholders in firms. Thus, American HRM is performance-oriented. Divergence may appear due to economic system difference between two markets. USA has liberal market economy view, and EU has coordinated market economy view, and EU is regulated economy. Thus, firms are autonomous in American HRM due to liberal market view. EU firms are restricted in HRM due to social awareness of regulated economy. However, firms are becoming deregulated in EU economy similar to USA economy. There is debate in academic literature, if there is European HRM or HRM in Europe. European firms apply European HRM recently. European HRM covers American HRM and social partners. Social variables make European HRM divergent from American HRM. European firms are adopting firm performance orientation in HRM. This makes European HRM convergent with American HRM.

Keywords: European HRM, American HRM, Social Context, Convergence, Divergence Issue

Introduction

This paper argues convergence and divergence issue between European and American HRM.

I. American HRM: Performance Focus

American HRM is based on configurational perspective. It builds HR system in management of HR in firms. For example, Prof. Huselid advocates HPWS, HR systems and HR architecture in HRM theory. Secondly, American HRM has shareholder perspective. Because USA is shareholder economy. Therefore, American HRM has firm performance targets to provide more value to shareholders. Thirdly, American HRM considers employees as a resource. This is aligned with resource-based theory of Barney (1991).

In addition, American HRM has two priorities. They are resource-based view and positive organizational attitude and behaviours. American HRM aims to develop positive organizational attitude and behaviours in employees, and it perceives employees as resources. Secondly, American HRM aims to increase firm performance to provide more value to shareholders. Therefore, American HRM is involvement of HRM with corporate strategy. That is defined by Devanna et al. in 1981.

Stakeholders are important in European HRM. Therefore, European HRM has stakeholders perspective. Stakeholders are such as involvement of state, institutions, their regulations, trade unions and social partners. Therefore, European firms consider stakeholders in management of HR. Secondly, European HRM head for adopting American HRM but they have social context and environment. Therefore, European HRM can be formulated as European HRM=

American HRM + social context. American HRM is based on two factors: to develop positive organizational attitude and behaviours, and to increase individual performance. American firms aim to develop positive organisational attitude and behaviours in employees in management of HR. and American firms aim to increase individual performance of employees in HRM practices.

Calculative HRM is in favor of performance variations in HR. Collaborative HRM is based on psychological contracts between employees and firm. and it aims to develop positive organisational attitude and behaviours. Collaborative model is called as Harvard model. Calculative model is called as Michigan model. Collaborative model is applied in European HRM, and American HRM adopts calculative HRM views.

HR is becoming strategic partner in American firms since 1990s. HR becomes strategic partner via employer of choice, high performance work systems, and a set of incentives.

American HRM is based on performance focus both individual and firm. European HRM is becoming more performance oriented. So, convergence between European and American HRM may appear with performance variables.

American firms are more autonomous than their European counterparts in HRM to protect rights of shareholders. European firms are restricted in HRM to protect stakeholders. However, European economies become market deregulations recently.

II. European HRM

First paper in HRM in Europe is published in 1987 in France. It argues that HRM may be applied in Europe. European HRM has contextual perspective, Prof. Brewster disagrees with universalistic perspective of HRM in European HRM. American HRM has configurational perspective. That may decrease convergence between American and European HRM. But European HRM goes to deregulations in HRM that may decrease impact of contextual perspective. and European HRM may become universalistic perspective similar to American HRM.

HRM is developing field in Europe. and American MNCs deploy American HRM in European markets. European HRM is adopting firm performance target. Thirdly, European HRM is adopting firm performance target similar to American HRM. Major difference between American and European HRM is state deregulations such as regulations in staffing, dismissal, industrial relations. Fourthly, European HRM has contextual perspective. Role of state, institutions, trade unions, social partners, labor legislations build social environment in European HRM.

Chris Brewster, Paul Sparrow, A. Hegewisch, Wolfgang Mayrhofer, and Paul Gooderham are leading researchers in Europe in European HRM. Most citations are given to Prof. Chris Brewster in European HRM research. Chris Brewster claims that there is a European HRM. On the other hand, Paul Sparrow says that there is "HRM in Europe" notion. European HRM is between American HRM and social context. HRM in Europe concept adopts American HRM practices.

Major difference between American and European HRM is organisational autonomy. Free economy culture in USA economy results in organisational autonomy in American HRM. American HRM is more autonomous in management of HR. While European HRM is restricted by stakeholders and regulations in HRM. This difference may emerge with differences between economic systems in both markets. USA is liberal market economy, and firms are free in management of HRM. EU economy is coordinated market economy, and EU is regulated economy. Therefore, firms have restrictions in HRM by state and regulations. For example, institutional's regulations in Europe reduce flexibility of firms in management of HR. Major disadvantage of social context in European HRM is reduced employment flexibility.

Firms are autonomous in American HRM to protect state. Americans aim to protect their state; therefore, firms are autonomous in HR. However, Europeans aim to protect their society and social rest. Therefore, firms have restrictions in HR. Involvement of state makes European HRM distinct from American HRM. However, European HRM goes to state deregulations in HRM recently, that is similar to American HRM.

German practitioners stress that major difference between American and European HRM is state regulations in staffing, dismissal, industrial relations. For example, French labor law strongly affects training practices in France. However, Germany recently adopts deregulations in HRM instead of strict employment rules. That may increase flexibility in HR in European HRM similar to American HRM.

Legislations, institutions and social partners shape HRM in European HRM. Because social security is important priority in European HRM.

III. EConvergence or Divergence

Convergence between American and European HRM may be achieved through MNCs. Because American MNCs insist of applying headquarter's HRM practices in local subsidiaries. This spread American HRM across European market. Divergence may be achieved through social context. Because there is economic system difference between two markets. USA is shareholder economy, and EU is stakeholder economy. EU aim to protect stakeholders in HRM. Therefore, they have state interventions, institutional impact and regulations in European HRM.

American HRM has greater centralization in HRM in MNCs' subsidiaries. MNCs force subsidiaries to apply headquarter's HRM practices. American HRM resists against institutional requirements in host countries. and this insist deploys American HRM worldwide.

Conclusion

To conclude, EU is coordinated market economy. Coordinated market economy considers social partners in market decisions. European HRM has restrictions in HRM due to coordinated market economy. Because firms have to consider stakeholders and social partners in HRM. American HRM has organisational autonomy due to liberal market economy.

Secondly, European HRM is becoming similar to American HRM. It is convergence between European and American HRM. There may be three effects for this convergence. European HRM adopts American HRM practices. and Firstly, European HRM adopts firm performance variations. Secondly, European firms apply American HRM practices. Because MNCs deploy HRM practices across Europe. Thirdly, Europe is becoming deregulated economy, and firms are becoming autonomous in HR.

In conclusion, MNCs lead to convergence in global HRM, and national institutions and their regulations lead to divergence in HRM. Rising of MNCs in global economy unify HRM; therefore, it leads to convergence in HRM. MNCs force local subsidiaries to adopt their HRM practices, and national institutions force firms to comply with their law obligations.

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Merger Notification and Review Procedures: International Experience and Georgian Reality

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Abstract

The objective of the paper is to provide critical analysis of the merger control provisions of the Georgian competition law, and based on recommended international practice to elaborate some suggestions for implementation of effective pre-merger notification system in Georgia, in order to promote clear, understandable and easily administrable rules for notification of mergers and review procedures

Keywords: merger, notification, concentration, threshold

Introduction

There are some standard features of competition laws that are usually present in almost all laws that have been enacted during the last decades. The common elements are as follows: objectives and scope of application of laws, a list of prohibited agreements, abuse of dominant position and mergers control.

As a rule merger control aims to prevent the creation, through acquisitions or other structural combinations, of undertakings that will have the incentive and ability to exercise market power in order to limit competition. Effectiveness, efficiency, transparency and predictability are fundamental attributes of sound merger control regime. (ICN, 2007) To ensure effective enforcement of merger control objective criterion/thresholds and clear review procedures need to be established. Sound notification and review procedures promote:

- effective enforcement of substantive merger review laws,
- efficient allocation of enforcement agency resources
- clear guidance to merging parties, and
- avoidance of unnecessary transaction costs associated with merger notification process

While notification thresholds are used to identify transactions that have sufficiently material nexus to a given jurisdiction, the definition of a merger transactions seeks to identify those transactions that are suitable for merger review. There are two commonly used thresholds that determine whether any given transaction is subject to merger review and/or notification requirements: 1. Thresholds which most commonly refer to the size of transactions or parties and seek to eliminate that most likely have material impact on a given jurisdiction and 2. Definition transactions which seeks to identify transactions that are suitable to merger

review. ICN Recommended Practice requires clear, understandable, easily administrable, bright-line tests for notification thresholds that permit parties to readily determine whether a transaction is subject to notification. In particular, it is recommended that: A. Notification thresholds should be clear and understandable; B. Notification thresholds should be based on objectively quantifiable criteria; C. Notification thresholds should be based on information that is readily accessible to the merging parties.

Mergers notification requirements are included in modal laws on competition recommended by WB-OECD and UNCTAD. Majority of jurisdictions are based on a mandatory pre-merger notification system

“Merger¹ pre-notification requirements are one of the great inventions of modern competition law enforcement. When well crafted, as in the US and the EU, they provide several substantial public benefits

1. They allow the competitive impacts of mergers to be analyzed before rather than after the consummation of the merger, thus substantially reducing the private costs imposed by a negative finding

2. They provide incentives for the merging enterprises to provide information to the authorities in a timely fashion -- usually by 'stopping the clock' on the deadlines for action by the authorities until the information is provided;

3. Subject to that limitation, they force the authorities to act in a timely fashion by (typically) allowing the merger to proceed after a certain period of time has elapsed following pre-notification; and

4. They may even, if accompanied by the requirement of filing fees, provide a nontrivial source of revenues to governments lacking sophisticated systems of public finance.” (Pittman, 1998)

¹ “merger” here used to refer to “any transaction that combines the heretofore independent interest of two parties, whether by true merger, takeover, purchase of assets, purchase of shares [of stock], and so on.”

I. International experience and recommended best practice

According to international practice implementation of the concentration which is a subject to notifying is allowed based on the positive conclusion of the competition authority; Competition agencies are obliged to examine the notification and inform the applicant about the made decision within established time frame. Based on an appropriate analysis, the competition authorities issue one of the following decisions: a) on permission of concentration which is in compliance with normal competition environment, b) on prohibition/inadmissibility of concentration which is not in compliance with normal competitive environment, c) allow concentration with conditions and obligations for participants to make particular changes in it to ensure the compliance with normal competition environment, besides the cases where by a preliminary examination (first stage) conducted by the agency is determined, that the concrete concentration does not fall within the regulation sphere of competition law. According to RP Concentration is inadmissible if it limits substantially effective competition in goods or service market of country or any significant part thereof, resulting in gaining or strengthening of dominance position. In some cases the competition authorities authorize possible concentration despite the fact, that concentration establishes dominant position, but aims at modernization of particular activity, accomplishment of the market structure, better satisfaction of consumers interests and possible benefit of its implementation exceeds the negative impact provoked by restricting competition on an appropriate market (provided that agency is authorized to demand from the economic agent acquiring dominant position through the concentration, to submit the information on the transactions periodically, which can significantly restrict the competition.

Definition of merger transactions plays an important role in well effective merger review systems that seek to be effective, efficient and transparent. It is recommended that a sound definition of merger transaction should in line of the following goals: a) target the right types of transactions (i.e. those that lead to structural, more durable changes in the market place a jeopardize the competition policy goals; b) avoid capturing too many transactions that typically pose no competition law risks and are more appropriately controlled by different instruments in a competition regime's tool box and c) use as much as possible bright line tests based on objective, clear and transparent criteria to establish whether a transaction is subject of review. (OECD, 2013)

The majority of merger control systems apply some form of market share test specify procedures for pre-notification of enforcement authorities in advance of big, important transactions, and provide for special processes for expedited investigations, in order that problems can be identified and resolved before the restructuring is actually undertaken when the merger is consummated. Merger regulation in the US is based on the core principle that competition is essential to insure that the benefits of a market economy are enjoyed by consumers. Most acquisitions are believed to be either pro-competitive or competitively neutral. The challenge is to distinguish the few mergers that are likely to be anti-competitive from the many that are not. (Kramer, 1996) Mergers are generally reviewed under the Clayton Act, which prohibits mergers and acquisitions where the effect of such acquisition may be to substantially lessen competition, or tend to create a monopoly. Thresholds are announced and revised annually. Last announcement was made in July of 2014. (FTC, 2014). In the EU, under the Merger Regulation 139/2004. Competition law requires that firms proposing to merge gain authorisation from the relevant government authority (EC or member countries authority), or simply go ahead but face the prospect of demerger should the concentration later be

found to lessen competition. The central provision under EU law asks whether a concentration would "significantly impede effective competition... in particular as a result of the creation or strengthening off a dominant position..." Under EC law, a concentration exists when a..."change of control on a lasting basis results from (a) the merger of two or more previously independent undertakings... (b) the acquisition... if direct or indirect control of the whole or parts of one or more other undertakings." (Art. 3(1), Regulation 139/2004). Council Regulation (EC) No 139/2004 - contains the main rules for the assessment of concentrations, whereas the Implementing Regulation concerns procedural issues (notification, deadlines, right to be heard etc.). The official forms for standard merger notifications (Form CO), simplified merger notifications (Short Form CO) and referral requests (Form RS) are attached to the implementing Regulation. Competition law requires that firms proposing to merge gain authorization from the relevant government authority, or simply go ahead but face the prospect of demerger if it lessens competition. The present Regulation is applicable to all "concentrations" with a "Community dimension". To provide better guidance on jurisdictional questions in merger control, the Commission adopted the Commission consolidated jurisdictional notice under the merger regulation (the 'jurisdictional notice'). With the exception of referrals, the new notice therefore covers, in one document, all issues of jurisdiction which are relevant for establishing the Commission's competence under the merger regulation.

Authorities and analysts in some countries with smaller markets believe that merger control is unnecessary, because they do not want to impede restructuring firms trying to obtain a critical mass which would enable them to be competitive in world markets. The belief is that a national champion -- even one abusing a monopoly position domestically -- might be able to be competitive in foreign markets. Two objections can be made to these views. First, it is often the case that monopolies enjoy their monopoly rent without becoming more competitive abroad, at the expense of domestic consumers and eventually of the development of the economy as a whole. Second, if the local market is open to competition from imports, the world market might be relevant for the merger control test, and the single domestic supplier might anyway be authorized to merge. Moreover, by not having a merger control system, a host country deprives itself of the power to challenge foreign mergers and acquisitions that might have adverse effects on the national territory activity (Georgian law review, 2000). In addition discussing pros-and cons of merger control regimes some experts argue whether the small countries need similar system at all.

Some extracts from summary of presentations and discussions on international conference (Luxemburg, 2007) organized by the Competition Law Forum for competition authorities, advisors and companies in small countries, are provided below: "With the global spread of anti-trust and competition law enforcement today, economies both large and small engage in merger review. According some experts, when global companies are thinking of merging their counsel has to think about where in the world the deal is reportable. While it is easy to identify large jurisdictions, like the US and Europe, smaller jurisdictions, like Malta and Cyprus, which might have their own filing obligations, are harder to identify. Even smaller jurisdictions, like Jersey and Barbados, also have merger filing obligations" (2007). "In those cases, should merger be left to the market, an 'invisible hands' approach? "It has been argued that market forces alone cannot maximise efficiency, therefore merger control is necessary in the regulation of markets" (2007). Should Small Economies Even Engage in Merger Control? "The answer to the question of whether small economies should engage in merger control seems obvious. However, there are several issues that should be considered in determining

whether merger control is the best approach in a particular country. “The main arguments raised against merger controls in small countries are that companies in small economies are unable to compete with the large companies in larger economies. Also, due to lack of financial resources, local companies are unable to compete with the subsidiaries of large companies entering the smaller markets. These issues can be resolved in several ways, with the most efficient way being effective application of efficiency defense. Another way is to widen the geographical market definitions by extending borders, although this might be more theoretical than practical” (2007).

Michael Koenig (DG Competition, European Commission): “The question is whether a market can do without such controls. The enforcement of the laws concerning abuse of dominance alone have proved inadequate, particularly when victims of that abuse for various reasons do not come forward to the authorities. Additionally, the control of abuse of dominance also always comes after the problem, and generally addresses only one particular practice, rather than the structural issues leading to the practice. As a response merger control was considered necessary, and those basic fundamentals are valid whether the economy in question is large or small. However, the application in practice has to be developed and adapted to the individual situation of the country. Prof Jacques Steenberghe (Director General of Competition, Competition Directorate, Belgium). “There is massive evidence that anti-trust enforcement in respect of cartels and abusers makes a significant contribution to sustainable development. The case for merger control is shaky at any level; at the same time we all feel that we do need some merger control. Therefore my starting point would be to use such controls with prudence and constraint....while some merger control is necessary, it should be designed in a way that it does not catch too much, and should not jeopardise your anti-trust enforcement capability” (2007). “We need to find the balance between effectively protecting competition, and avoiding unnecessary burden on the companies (Koenig M., 2007). Merger control cannot just be a bureaucratic exercise for the sake of it. Fast-track exercises should be introduced where possible. A simplified procedure exists on the European level, and in Germany it is possible to file in a three-page memo, and if it is clear from the outset that the case is unproblematic, then the clearance letter will be done in a few days”.

Going beyond the local perspective, there is an argument that a company needs a safe home base to enable it to compete on a wider European level. We have consistently pointed out that we are not convinced by this argument, primarily because there is absolutely no evidence that it is true. First, only competition creates companies that are fit to succeed on international markets. Secondly, why should we harm consumers in the home market (through the reduction in competition, lower innovation, higher prices) to enable the potential success of a company in other markets, especially when it is not clear that that success will benefit the economy of the home country, for example in terms of jobs. If a company cannot succeed by competing at home, what chance does it have abroad?” (2007). Companies may argue that in small economies there is no reason for concern about mergers which lead to strong market positions, as competitors active on neighbouring geographic markets could easily enter. This may be true for some sectors and for small but internationally well integrated economies. However, there are also situations where the small market size might make it unattractive for competitors to enter the markets, which would create an entry barrier. Therefore again there is no clear-cut story that the threshold for concern about mergers in small economies should be different (higher) than in larger economies.

“Merger enforcement flows from thresholds..” effective enforcement in a small economy starts with well-defined

thresholds.....If they are crafted too broadly, either your agency will be ignored, or it will be flooded (Charles Webb, 2007). In many countries having antimonopoly legislation it is obligatory to notify the competition authorities and obtain their permission for merger, if the combined aggregate income of the economic agents concerned exceeds the specified thresholds and they have the capacity to influence negatively the market. The competition laws variously require pre-notification if an enterprise meets either a market share, assets size, or volume of sales (turnover) criterion. Various approaches used to set notification thresholds and members recent experience with thresholds revision are provided by ICN in Setting Notification Thresholds for Merger Review (ICN, 2007). The conclusion is that: basic fundamentals are valid whether the economy in question is large or small. However, the application in practice has to be developed and adapted to the individual situation of the country.

As to the remedies, according to recommended remedies practice elaborated by the notification and procedural subgroup of ICN merger working group remedial power and major remedial principles (assessment of remedies, proportionality, effectiveness, potential remedy burdens and costs, transparency and consistency) should be established by competition laws. “1.4. remedies should only be applied to address the identified competitive detriments expected to arise from a merger transaction. In the absence of remedies, competitive detriments resulting from a merger could only be addressed by prohibiting the transaction in its entirety. The contribution of remedies is to enable a modified outcome to merger transactions which restores or maintains competition while permitting the realisation of relevant merger benefits, thus achieving a better outcome than straightforward prohibit or permit decisions”. As to the “choice, design and implementation of merger remedies is ultimately dependent on each jurisdiction’s merger regime and case at hand”.

II. Merger/concentration notification requirements under the Georgian Competition Law

According to EU-Georgian Association Agreement (2013), Georgia recognises the importance of free and undistorted competition; acknowledges that anti-competitive business practice and state interventions have the potential to distort the proper functioning of markets and undermine the benefits of trade liberalisation; maintains comprehensive competition law which addresses anti-competitive agreements, concerted practices and anti-competitive unilateral conduct of enterprises with dominant market power and control of concentrations.

Georgia’s current law “on competition” (as revised in 2014) defines concentration and establishes premerger notification requirements. At the same time, in spite of many other post-communist countries, including the EU new member countries the law does not establish notification criterion, fees for filing, sanctions for failure of notification requirements or to observe mandatory waiting period/ suspension obligation. In addition according to law the competition agency has not enough remedial power and time frame for review procedures is too tight (1 month and due to complication of case, the term can be extended no more than for 2 weeks). To ensure effective implementation of merger control the criteria for determining economic agents obliged to notify, rule of their calculation, forms of notification and procedures for their consideration need to be established by the regulation (according to article 111 p. 2 and article 34, p.61 of the “Law on competition” “Regulation on approval of the procedure on submission and consideration of notific -

tions about concentration” is to be adopted by competition agency).

Bellow is quick outlook of the merger review mechanisms provided in the Georgian competition law at deferent stage of policy development.

II.1 State Counsel Decree of 1992- The Decree “On the Restriction of Monopolistic Activity and Competition Development” (in force from 1992 until 1997)

contained section III, “On Avoiding and Elimination Monopolistic Activity” (articles 9, 10, 11, 12), which included detailed provisions concerning reorganizations, combinations, mergers, and acquisitions. According to Article 9 of the decree it was necessary to carry out preliminary state merger control in order to avoid the creation of dominant position leading to restriction of competition. The same article defined also requirements for the prior notification of combinations of enterprises, and stipulated that the merger, reorganization, or creation of enterprises might be prohibited if they could lead to the creation of the dominant position and restriction of competition. Exemptions were possible if the parties were able to prove that the effect of their combination would be the improvement of production, distribution, quality of products and competitiveness abroad. The article stipulated also that certain enterprises were not required to participate in the notification regime, such as enterprises having charter capital of less than 10 million Russian Rubles. In addition, according to article 10 of the decree, pre-notification was required of any acquisition, on the same market, by enterprises holding a market share of more than 35%, or seeking to acquire more than 50 % stake of any other enterprise. According to article 12 of the decree, if enterprises did not receive any answer within 30 days or if the antimonopoly body issued a negative conclusion that the firms regard as groundless, the firms were allowed to appeal to court for registration

II.2 The law of 1996 “On Monopolistic activity and competition”

- unlike the CEE countries laws, examined by Pittman (Pittman 1992, and 1997) and Lapachi (2001) did not define the term “merger,” establish pre-merger notification requirements, impose a time restriction on analysis by the competition agency of merger proposals for companies, nor the consequences of the agency inaction, and specify the criteria by which proposals for combinations are to be judged. TACIS experts argued similarly that Georgia’s law of 1996 was deficient in not regulating various stages of the process, for instance: when and how the agency assessment should be initiated; what kind of notification should be submitted to the antimonopoly service; timetables for the issuance of a decision permitting or denying the requested merger activity; the consequences if within the specified time period the antimonopoly service does not issue its decision (the economic agents should automatically acquire the right to carry out the planned merger activity); and the grounds for permitting or denying the requested activity (GLR, 2000 I quarter, #2). Some experts have an opinion that the decree of 1992 was better crafted than the law of 1996 in this respect. It was clear that the Georgian Law needed serious further development regarding merger control as well as in many other areas of competition law. Instead of implementing needed improvements, what was happened in Georgia in 2003-2005 was exactly the reverse. Since the “Rose Revolution” (November, 2003) Georgia’s competition legislative and institutional framework underwent substantial reform while the rationale of harmonisation with the EU pursuant to Art. 43 and 44 of PCA has been neglected.

II.3 The law of 2005 “On Free Trade and Competition”

- In February 2004, a new law “Concerning the Structure, Proxy and Activity Rules of the Georgian Government” was adopted by the Parliament of Georgia. This law required the state apparatus to be restructured in order to simplify it and make it cost effective. Two major changes were also made at the State Antimonopoly Service of Georgia (SASG). First, the appointment criteria were changed; Second, the staff was whittled down, from 150 to 19. However the functions, powers and responsibilities were not changed.

Later, in June 2005, a new competition law “On Free Trade and Competition” was adopted while The law “On Monopolistic Activity and Competition” of 1996 was repealed. The SASG was shut down and replaced by the Free Trade Agency under the Ministry of Economic Development, with a much reduced scope of responsibilities. Experts were of the opinion that the changes that had been made in competition law since 2004 in Georgia were a step backwards in the country’s competition policy developments. “While the title of the law includes the word “competition”, the articles relate mostly to two sub-areas of competition law in a wider sense (State aid and, to a certain extent, concessions)”. Unlike similar laws (e.g. modal laws of UNCTAD, WB-OECD modal laws and the laws of the WTO, OECD and EU member countries), this law of 2005 did not apply to such manifestations of business restricting practices as anticompetitive agreements, monopolistic activity, or the concentration of market power (mergers and acquisitions). The Agency was given very limited investigative power. For the time being, it could be concluded that the Agency exists only nominally as a structural unit of the Ministry of Economic Development with a staff of only 5 persons. Due to deteriorated institutional capacities this authority was practically inactive.

Analysis of the legal and institutional framework in force until 2012 demonstrates that Georgia’s competition policy was not compatible with the reform policy chosen by the country and its aspiration for integration into European institutions. Experts were of the opinion that, during the 2005 - 2012 period, Georgia’s competition law and administrative body were ineffective--and there was no political will to do anything about it. “..... **Most importantly, the creation of a competition law-free country**, as has been suggested, cannot be seriously considered in a globalised world, notably when referred to a transition economy where many non-market economy structures still subsist” (Gagoitia, 2006).

Preparation for the negotiations on DCFTA with the EU was considered as an essential element of the agenda of the EU-Georgia relations. EC assessment of Georgia’s preparedness for a DCFTA with EU (2009) outlined the four priority areas (competition policy, taxation, customs and IPP) where further improvements are required. Competition policy reform was identified as one of the priority areas for successful completion of negotiations over the DCFTA agreement. In accordance with these requirements, basic definitions needed for competition policy were restored on May 8, 2012, when the Parliament of Georgia adopted the new Law “on Free Trade and Competition”. The same year, the Competition and State Procurement Agency was established through a Presidential decree. But, this institutional framework lacked effective enforcement power and it didn’t ensure the effective supervision of competition on the market (no cases of unlawful restriction of competition on the market or of violation of Georgian competition law had yet been investigated or initiated by the Competition and State Procurement Agency). For this reason, it was the Georgian government’s decision to reform competition policy again in order to meet the EU - Georgia Association Agreement requirements to maintain comprehensive competition law and

authority responsible and appropriately equipped for the effective enforcement of the competition law.

The law of 2012 defined (article 11) concentration as: "Concentration shall mean: 1. "a) Merger of two or more independent economic agents when one or more economic agents merge with the other economic agents or when two or more economic agents merge as a single new economic agent; b) An actor who controls at least one economic agent gains direct or indirect control over another economic agent by means of a bargain. 2. Concentration as stipulated by the first paragraph of this article shall be a concentration as a result of which the dominant position is created or strengthened. 3. Concentration shall be deemed as compatible unless significant impediment of effective competition and abuse of dominant position occur.

According to the same article, actions performed in accordance with the procedures laid down by the "Law of Georgia on Insolvency" and in the process of liquidation, shall not be deemed as a concentration nor as a merger of non-entrepreneurial and entrepreneurial legal persons or acquisition by one of them of the right of control over the other". In addition it was stipulated by the law that this provisions did not imply in field of electronic communications

This law provided for voluntary notification if economic agents that as a result of concentration acquire the market share determining the dominant position on the relevant market, or if the economic agent having the dominant position at the relevant market as a result of concentration gains direct or indirect control over another economic agent, **may submit** a written notification to the Agency about a planned or an already existing concentration. In addition, the Agency was authorized to require from economic agents, which as a result of a concentration acquire a dominant position, to periodically submit information about transactions that may have significant influence in terms of distorting competition on the relevant market.

II.4. The law "On Competition"

(as it revised in 2014) - regulates cases when an economic agent is obligated to notify the Competition Agency about the intended concentration, as well as cases of its release from this obligation; According to Article 11:

"1. concentration implies: a) Amalgamation of two or more independent economic agent resulting in formation of one economic agent; b) Gaining of direct of indirect control over the economic agent or any part of its business through purchase of the securities or interests in their assets, agreement or otherwise by a person already controlling at least one economic agent; c) Participation of one and the same person in management bodies of different economic agents.

2. Establishing of the joint venture, if it performs all functions of independent economic agent for a long period, shall be regarded as concentration provided for by Section 1 of this Article. 3. For the purposes of this Article, control implies rights, agreements or any other means, providing, separately, or in aggregate, substantial influence over the enterprise or any part thereof, in particular: a) Ownership of the enterprise and/or the right to use its all assets or any part thereof; Rights (including contractual) allowing substantial influence over the composition of the management bodies, voting rights, decisions of the economic agent. 4. Concentration without substantial limitation of effective competition at goods or services market of Georgia of any significant part thereof, resulting in gaining of dominating position or strengthening is suitable for normal competitive environment. 5. Concentration substantially limiting effective com-

petition at goods or services market of Georgia of any significant part thereof, resulting in gaining of dominating position or strengthening shall be prohibited.

The law (Article 11, paragraph 6) stipulates that for registration of merger/amalgamation of the economic agents having notification obligations specified in Article 111 the Competition Agency's conclusion on competitive effect of the expected merger/amalgamation shall be required. Agency's negative conclusion provides basis for rejection of registration of economic agent by the Legal Entity of Public Law, National Agency of Public Registry. Competition Agency is entitled to demand from the economic agent gaining dominating position as a result of concentration, submission with certain periodicity of information about the deals able to significantly restrict competition at the relevant market

The law establishes (Article 111) pre-merger notification on concentration: "Concentration with participation of economic agent/s (with the exception of economic agents of the regulated sphere of economy) with the values individual or aggregate assets or annual turnover (according to the data for the financial year before concentration year) within the territory of Georgia exceeds the limit established by the Rules of Submission and Consideration of Notification on Concentration, shall be subject to prior written notification to the Agency." Rules for Submission and Consideration of Notification on Concentration shall be approved by the relevant legal act issued by the Agency. When adopting the Rule for Submission and Consideration of Notification on Concentration, Agency shall consider the notification within one month term and inform the applicant about decision made. Regarding complexity of the case, this term may be extended for no more than 2 weeks. Failure to give answer within the stated term shall be deemed as positive answer. It should be noted that the deadlines to review notifications is tight and too short comparing with those used in international practice. Though it was criticised by many Georgian and international experts, after public discussions of this procedural rule with Georgian business associations the decision was made by government to accept this deadline at this stage of the policy reform.

In accordance with international practice the law (Article 112. Exemption from the Obligation of Notification on Concentration) specifies some cases which shall not be regarded as and the relevant economic agents shall not be obliged to provide prior notification to the Agency.

Concluding remarks

With the global spread of anti-trust and competition law enforcement today, economies both large and small engage in merger review. Implementation of merger control is among the key novelties in Georgian institutional framework implemented with competition policy reform package adopted in March, 2014 by the Parliament of Georgia. The law defines the cases of concentration of economic agents, which imply a merger of economic agents, or gaining of a direct or indirect control over an economic agent or part of its business by purchasing the shares or part of its assets etc. Participation of the same person in the managing bodies of different economic agents is also considered a concentration. Further, the law regulates cases when an economic agent is obligated to notify the Competition Agency about the concentration, as well as cases of its release from this obligation; The criteria for determining economic agents obliged to notify, clear rule of their calculation, forms of submission and procedures for consideration of notifications needs to be established by the regulation.

To ensure effective merger control system too many questions need to be answered by Georgian policymakers: Should Georgia Even Engage in Merger Control? Should merger be left to the market, an 'invisible hands' approach? Which kind of remedies (structural or behavioral) is better to use? How to find the balance between productive efficiency gains and competitive conditions.

The important question for merger control enforcement in Georgia, is how to find the balance between productive efficiency gains and competitive conditions. That requires both knowledge of the market and of competition law, which is not always present in small and developing economies. In our opinion the main question for today is not about whether Georgia should have merger control at all, but rather over the substance and quality of the merger controls considering the scope of our economy, existing competition culture and capacity of newly established competition agency.

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Tourism and Education

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Abstract

Georgia, a country located in the south-west Europe is recognized for its numerous human made or not human made fascinations, a country where tourism development is economy's priority field. Nowadays, new type of specialists are demanded for any field (tourism is not an exception) - personnel with high professional characteristics, administrative and entrepreneurial skills. Certain education is needed to be competent: intellect, culture level, and disposition to individual creation, ability to live and work in the new informational epoch to feel comfortable and preserve competitiveness. It should be noted that tourism is a field where individual features and performance skills are determining factor. Qualified human resources is still a problematic issue in the tourism business. Especially in the low and middle stages of the tourist service, all this requires perfection of Georgian higher and vocational educational system.

Keywords: tourism, education, human capital, skills

In the major annual publication ("Tourism Highlight") of the World Tourism Organization (UN-WTO) Georgia has been identified as the fastest growing tourist destination in the country in Europe. This information is important credible and influential in the world in terms of public attention. It should be noted that MTO Rifai, Secretary General of the Organization had an official visit to Georgia in April. - Mr. Rifai initiatives were concerned with rural tourism, city tourism development and mining clusters - skiing tourism, education in tourism.

On 26 July, 2013 the Millennium Challenge Corporation and the Georgian government signed a U.S. \$ 140 million grant agreement (2nd Compact), which aims to reduce poverty and promoting economic growth in Georgia in general, technical, professional and higher education development. International and local studies have shown that economic growth - one of the main obstacle in the way Georgia lacks highly qualified professional staff.

I. The tourist business personnel requirements

Today, any field, including tourism requires new types of specialists who have high professional characteristics and simultaneously possess such qualities as: administrative and entrepreneurship skills, competence, intelligence, culture and individual creative aptitude, the ability to live and work in the new information era in order to feel comfortable and to remain competitive - it becomes necessary to have special knowledge - education - and it should be noted that tourism is an area where the personality and habits of behavior is critical importance of education.

Among the many issues of concern in the tourism business are still unqualified personnel, especially in the tourist services in low-and middle levels, all this requires perfection of Georgian higher and vocational educational system.

For the 21st century academic programs throughout the world (except for the exceptions) are one-sided and classical studying- one of the main principles of personality "versatile" harmonious development is unsustainable.

II. Knowledge and Education in Tourism

The concept of "educated" is a broader concept than the "expert", for example. Knowing foreign languages and geography (even at very high level) does not mean intelligence. "Educated" means being smart and open-minded, as well as developing necessary skills, morally brought up and spiritually refined. All these include the need to educate the spiritual aspects of tourism.

Education in tourism combines all trends - mental in addition to the physical and moral, aesthetic, personal, environment.

The 21st century rationalism remains one of the main problems in education. Education-sided rationalism and rationalism-technicism can be considered as a result of pragmatism. Rational education in the era of the one-sided negative impact will also enhance one-sided education system, thereby "vicious" circle is bound.

To share the importance of education and tourism purposes, it is necessary to take into account national traditions.

In England the education is evaluated in accordance with the social condition, Germany and France detect the status of respect for the intellectual, the U.S. - on a pragmatic approach to education. British scientist M. Sadleri describing a situation, "When the education is offered - German is asking - what they get? French wonder - how they will be examine. Americans - what they will be able to do after? Englishman - a career". The Georgians (the current situation has not changed much) legal evidence- a certificate

Tourism industry is a field in economy, which aims to development a culture and education. Tourism policy is one of the priority objectives for the country, which include:

1. To improve legislative regulations
2. To develop Tourism business
3. Perfection of Tourism industry material – technical basis-by attracting local and international investment
4. To implement different services for tourist by outline of methods and standards
5. To promote actively

To fulfill the mentioned tasks successfully is capable of professionals. Science plays the leading role in the development of education. Countless fascinating destinations in Georgia are attractive for visitors however the safe and comfortable journey offered by professionals - educated specialists will make the tourism industry more appreciated.

Researches are also important in tourism and related fields: environmental, medical, historical, ethnographic and many other areas. It's necessary to involve County, Universities, and Non-Governmental Organizations to work on "branding" Tourism, which was discussed and focused on the 54th European Commission meeting held in Batumi, 2012 by World Tourism Organization.

To conduct events in Tourism, modern system creation is needed. Personnel training and education is extremely important, because compared to other sectors tourism is becoming more and more technological, the "live" contact area, in which an altruist Sociable educated professionals achieve success.

III. National Education Problems of Tourism

To train professionals in higher education institutions is hard proses today. Tourism is a relatively new field in the educational space, which is lack of scientific basis. For the learning process foreign literature is used, which is of course necessary, and interesting, however, student find difficulties to apply to Georgian environment. Foreign materials is much more useful to take information's about management, marketing, economics and acquaint with innovations in the world. It is highly needed to create a methodical text books, which will represent national tourism trends and give students the knowledge and skills to develop their own country's tourism business, to make it competitive internationally.

It should be noted that the worsening proses of environmental conditions at the global level surfaced ecotourism. Its scientific - methodological principles are: to provide ecological education in tourism, to promote the integration of other types, to know and enact "green marketing "principles, to enhance economic content of tourism business.

I confirm my respect to museum guides, many of whom

are third generation. We need a new intelligent generation to cope with the challenges of the 21th century. Specific and qualifying knowledge how to manage museum, guides will provide the necessary competencies: Creativity and Museum, research of the Museum audience, educational programs and cultural stake in the museums, to implement professional and innovative standard, the methodology to care museum collections and other.

The lack of Professional guides (especially mountain guide), Mountain Guides needs specific professional trainings which in several countries such as traditional alpine countries, continues during the years. As for Georgia, one of the main appeal is its mountainous regions, is essential for mountain guides for preparation must be shared European experience and to create school training bases. Detailed initiatives discussion and support is needed. For the Ski resorts, Rescue Service and qualified coaches are deficienc . The leading ski centers must form essential training - rescue centers, where qualified personnel will be trained, training - and retraining if necessary to organize rescue operations. Particularly important such support centers to be created are in the regions like Gudauri, Kazbegi, Omalo and Bakuriani. Sport Academy was very good at fulfillment of the mission, so according to the government's decision they will continue to function and train personnel for sport tourism direction.

In Educational filed training and industrial practice still stays problematic issues. Business sector is not always friendly to intern students. In these cases a good solution is to establish a simulation center. ISU Center initiative the Simulation training center where students are working and functioning according to real companies. They crate firms, establish Tourist products, they are involved in operating staff strategy politics, marketing and sales strategy.

According to the statistics department of 2012-2013, the Higher Educational Institutions has 6300 Full Professor, Associate Professor, Assistant Professor - and teachers, in addition 3000 Doctorate. For these academic and harmonious staff development, the Education and Science Education Reform Commission was shaped. Members: Gia Dvali-Physics, Zaza Kokaia-biologist, David V. Berezhiani's-physicist, paleontologist, and they proposed concept of education and science reform, that consists three documents - the main concept that must be protected among three principles: academic freedom, academic neutrality and academic degree (" Tenure " model). The approach is absolutely proper, but the question is how all this is implemented - as we all know education is quite sensitive areas. Opponents consider that the concept is far from the Georgian reality.

The state has a reasonable step is seen as 2012-2013 years of professional education reform strategy and in September 2013 the Government №224 resolution, the funding rules and conditions determined, as well as the EU legislation harmonization with the covered-it is popular Strategy "Lifelong Learning and Universal Access to professional education "should be stressed that, not only in Europe but all over the world there is a direct relationship between the level of professional education and economic development. In Europe, the demand for professional education is quite high. According to statistical data, 60% of employees -has professional education. Unlike Academic, professional education and practical skills needed in the ability to regulate the transfer of knowledge-oriented, the education system must ensure that business (tourism) to prepare the core of the work force.

Nowadays for the 2013-2014 academic year, 9,000 students were enrolled in the professional program for free. Required programs for the education of the current year, Tourism, Marketing, Office Manager - and other. First time this

year become possible for 51 disable persons to enroll. Furthermore to be noted the EU project "Quality Development and Capacity Building Program," (2013-2015) is started, according to the modular system of vocational qualifications for program implementation (DAKUM), which will contribute to the improvement of education quality and relevance of the labor market to get better oriented methodologies. The first phase of implementation is completed, it includes 14 Sector Profile 50 Matte between professional standards of business administration qualification framework for tourism destinations: Tour Operator Hotel, the manufacturer, the tour guide, restaurant business manufacturer, diseased people - Receptionist, Bartender and Sommelier.

Quality vocational education is a significant problem in the tourist business decides what is called the international standard tourist services.

IV. World Economic Forum Rating

"World Economic Forum", published in 2013, the Travel and Tourism Competitiveness, which hit the world's 140 countries.

Ranking points to improve the condition of 7 and 66 th place. 2009 and 2011 ranking of 73th place.

"World Economic Forum" is the rating criteria, such as the situation in a particular country's tourism sector, security, health, transport, social security, business, and tourism infrastructure quality and quantity of cultural and natural resources.

On security, Georgia 140 countries in the 51 th place on the list, the health and hygiene point of view - 37 minutes on the ground, air - 101th place, ground transportation - 61 minutes on the ground, the tourism infrastructure in terms of access - 82 minutes on the ground, the travel and according to the quality of education in the field of tourism - 77th place, cultural resources - 84 on the ground, to the travel and tourism - 53 th place.

Foreign tourist's friendly countries, Georgia 33 th place.

Rating of Switzerland, in the top five in the group are Germany, Austria, Spain and the UK

Conclusion: 10 recommendations

Finally ' Davos ' help it published statistics that do not compliment, he was well aware of our nation's education system "black - white" colors. Superficial, ideological confrontation meaningless reforms and experiments in twenty-two years have passed since the country's independence. I do not wait for the education sector forward Gia Dvali or other concept or the European Union, the proposed modular programs. Increased efforts should universities and educational institutions as well as an administrative building - teachers and lecturers. Strengthening efforts to provide a subjective opinion - recommendations that will benefit tourism and other sectors as well as education.

1.The education systems concepts , strategies and management - knowledge of the field , so neither lacks knowledge of the education system to be moved away from the incompetent populists .

2. Modern education systems are not built on the stu-

dent's "factory production" but its particularity expression.

3. The challenge of the 21st century learning process used to transfer the relevant knowledge of the quality of thinking.

4. Education Sector Strategy stakeholders (pupils and students) to incorporate the ideas and needs assessment.

5. Capture Teach modern citizen support self-sufficie - cy in the civic consciousness and values will have.

6. Honor student-remember warning, one of the conditions of his education. Student teacher should be the goal and not the means of action.

7. There is no subject and object, which can be assembled interesting teaching, the problem is not what we teach, the problem is how we teach. The lack of interest is the result of bad teaching.

8. Despite the fact that we live in an era of tables and the Internet - nothing can replace the value of the book. The student (if it has the ability to) give them a choice of alternative literature teachers. Professor-learning skills, concentration and ability to inspire the wish student tastes.

9. Dynamical environment - given the constant changes in society and labor market continues to feel a lack of understanding of the lecturer , the gap in their education - they need constant , continuous replenishment of knowledge and skills - which also monitor the quality of educational institutions have been conducting quality management services .

10. The strategic interests of the country responsibility arrange state education system, resulting in professor-teachers, Scientific Authors of the book merits appreciation, labor and student satisfaction through quality training. In addition to the previous government and the current government is attempting to process - which requires reasonable steps and budget money. All of this to the previous government and the current government is in the process of budget-making reasonable efforts and costs. For educational sphere 8 % of the budget is allocated to the rate of 11-12% . EU countries of population education costs are only 13 % covered, Georgia, the figure of 70 % . That is why my theme of the conference "Education and Tourism" I finish the question, which is the most appropriate answer- "Do you think education is expensive for the state, lack of education, the cost to the state of mind? .. Consider what will cost the state's poor education of the people?"

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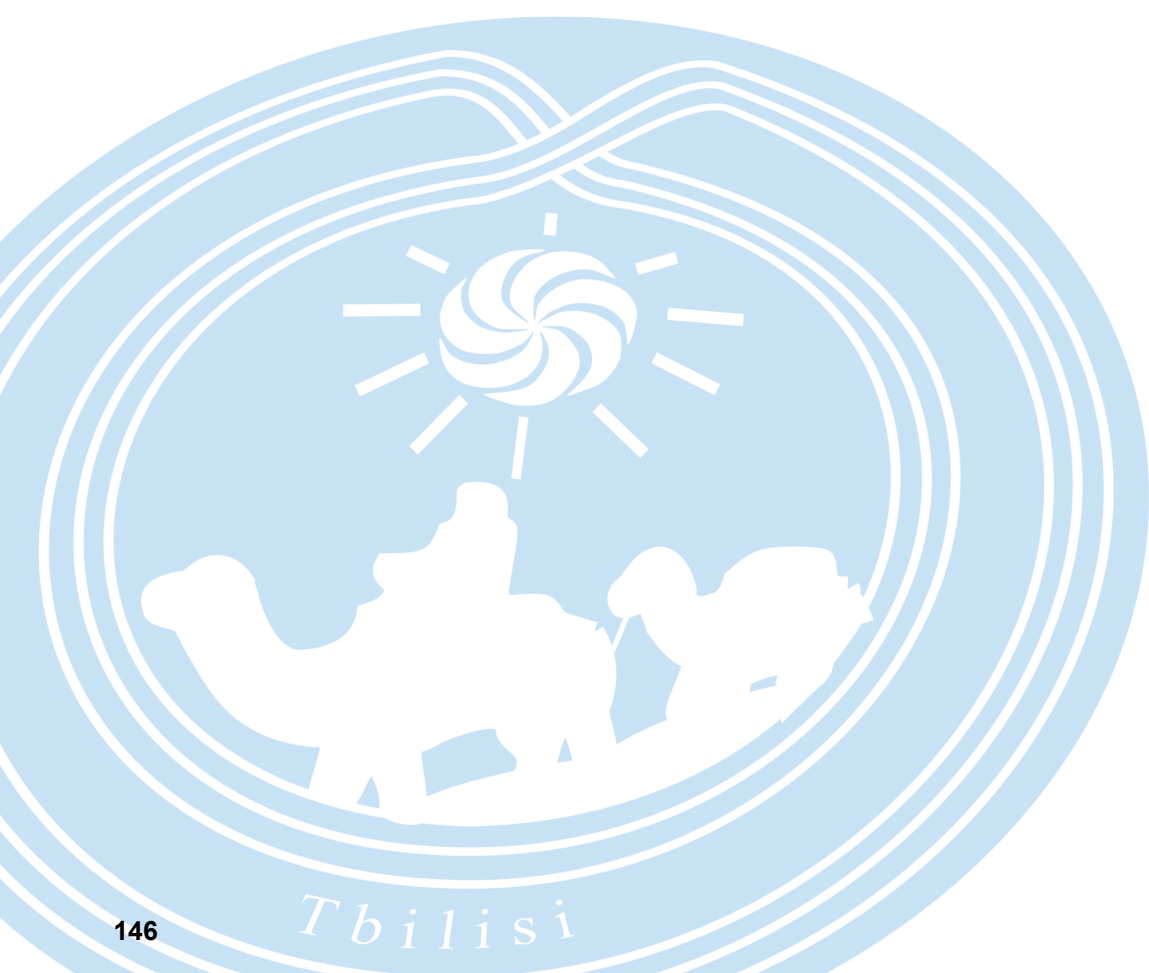
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Principles of Taxation – From Ibn Khaldun to Laffer Curve

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Abstract

Concerning the rates of taxation, Arabian philosopher and scientist Ibn Khaldun had advanced in time. Despite the fact that he lived in the 14th century, his ideas are still shared and used in modern economic theories.

Theory of state and economy, given in “Muqaddimah”, represents the textbook that is still used in modern world. Ibn Khaldun’s ideas about balanced taxation, which gives great amount of fiscal income, were reflected in “Laffer Curve”. This approach is basis of different conservative economic policies around the world.

In conclusion, genius ideas of Ibn Khaldun are far beyond the frames of taxation and the “Laffer Curve”.

Keywords: Muqaddimah, Ibn Khaldun, Laffer Curve, Islam and taxation

“God is kind and sympathetic. Become a Muslim and save yourself. If you’re not, then pay taxes and we’ll protect you. If you don’t pay, we’ll be against you with people, who love death as much as you love wine” – Muslim commander addressing Persians, 663 BC.

Tax is one of the oldest economic categories. That’s why the taxation principles were being developed through centuries. Century-old taxation experience has formed the main principle of taxation: “killing the goose that lays golden eggs is not right” – this means that taxes shouldn’t hinder the trades of taxpayers despite the strong demands on financial resources by government. Only income should be taxed and it shouldn’t be spread on ways of getting income.

Tax forms, taxation ways and methods were always changed during centuries, but the essence of tax remained same. Along with creation of nations, taxes became an integral part of society. Throughout changes in political and economic formation, changes in tax systems and renewed understanding of taxes had become regular. Muslim taxes represented a variety of different forms of taxes, which was being established while Arabic aggressions (VII-VIII centuries.) and formation of financial system of Caliphate. Islam started developing after the fall of the Roman Empire. Its’ theological simplicity was appealing for regular people. Muslims, armed with Koran and sword, subordinated huge territories of Middle East, North Africa and Spain; but, internal contradictions caused the fall of empire.

Muslims were popular, because they entered new territories as liberators of people oppressed by bureaucracy and high taxes of Roman Empire. In Persia, Zoroastrians (who sheltered newly born Jesus and The Virgin Mary) easily accepted Islam, as long as Roman taxes were intolerable for them. Most of newly Islam adopters were former Christians. For 250, Christianity was national religion of Roman Empire; high taxes were justified because of it. In such situation, Muslim spiritual leaders easily convinced people to become Muslims. The first Great Caliph said: “Everyone, who be-

comes a Muslim and prays for our god, will be exempted from capitation fee.” So, it was not choosing of Islam over Christianity, it was choosing freedom over tax slavery. One historian said: “Because of the heaviness of taxes, lots of rich and poor separated from the faith in Jesus.”

Muslims were firm autocrats. While forming their empire, they made a great mistake when they entitled local governors to collect taxes. Consequently, local governors reserved money for themselves and central government lacked funds. At the territory of former Roman Empire, Muslims didn’t cancel capitation and land taxes; they just humanized collection of taxes. They (Muslims) were autocrats and unlike The Emperor Augustus, they didn’t know how to manage state finances. The essence of Islam taxation system is well shown in words of Caliph just before he went to collect taxes: “See them to collect the whole land taxes from them. Be attentive and don’t let people avoid paying taxes. Don’t show them your weaknesses. Come to me at noon, I went to them at noon. He told me: “Be careful when you go to them. Don’t beat them, don’t make them stand on their knees while paying taxes, don’t sell their fortune in order to compensate their unpaid taxes, because you are entitled to collect only increment. If you don’t follow my rules, you’ll be punished by the God.” I behaved as he ordered me to. Then, I came back and found that I had fully collected the taxes.”

The same tactic was used when Muslims conquered Egypt. For that time, Egyptians paid taxes only by gold and silver and they suffered from capitation fee. Because of that, new rules were established and peasants were allowed to pay taxes by any form. Pastures were exempted from land taxes if peasants let Muslims use their (peasants’) lands for their (Muslims) own cattle. Capitation fee (two dinars) was remained for non-Muslim merchants.

The Arabs brought peace and kindness to land deformed by taxes and ruthlessness. They liberated old Roman Empire from corruption and exploitative taxation system. The Arabs established return of taxes as it was in Palestine

in 636 year. They returned money to both – Muslims and Christians. For that time, The Arabs had conquered majority of Jewish lands. When The Arabs were informed that The Romans were headed towards those lands, they decided to return taxes and announced that they wouldn't be able to provide safety to society. Those actions had huge impact on Christians and Jews. They prayed for return of The Arabs. This picture was much different from what was given in Koran – every non-Muslim deserves to die, but The Arabs behaved on contrary, death sentence was not used – defeated people had to choose among death, taxes and becoming Muslims. Islamists managed to modify Roman tax system – they cut down tax amounts and announced that non-Muslims would get tax returns. This made Islam get more followers; consequently, the tax base was reduced. Governors of Egypt begged Caliphs to set taxes for all people, including Muslims. After some time, The Arabs established taxes for everyone, so they chose increased fund over the growth of Muslims.

Payment of taxes had become main obligation for non-Muslims; plus, struggling with Muslims and communicating with Muslim women was forbidden for them. If they were following those three main rules, they were safe. In 642, Caliph wrote this letter to the inhabitants of Tbilisi: "In the name of God, the Merciful and the Compassionate. This is a letter from Habib ibn Maslama for the inhabitants of Tiflis, in the land of Hurmuz, giving safe conduct to you, your children, and your prayers, on condition that you accept the humiliation of the jizya at the rate of a full dinar for every household. You must not join separate households together in order to reduce the jizya which you pay, nor may we separate what is joined in order to increase the jizya which we receive." Such practice existed in western civilizations through decades. This reminds us of wise practice of collecting taxes with regard to foreigners.

The fall of Muslim Empire started in Spain. For that time The Arabs raised tax rates and established world's first excise tax of 5%. Caliphs and sultans were very different from Mohamed, who lived modestly. Leaders of Islam World became corrupt, they spent lots of funds but they didn't have effective tax audit system. Local tax collectors kept great amount of funds for themselves. The second factor that caused the fall of The Islamic Empire was tough practices (beating, death sentence) towards tax payers. In Egypt, local governor wanted to raise tax rate by 5%; his adviser told him: "I can't ask tax payers to pay more when the wife of sultan wore a dress worth of 30,000 dinar at celebration. And this is not just one wife and just one dress." This fact reflects how corrupt Muslim leaders were.

These words, written centuries ago, may be the best illustration to describe Muslim tax collectors: "They were unmerciful scums, standing behind thousands of unfair laws invented by them, arrogant and naughty... they were evil souls of their period, always ready to drink others' blood. The essence of their lives was to oppress others. They represented the shame of the mankind."

According to Thomas Aquinas's formula, tax is a form of robbery allowed by the law. He thought that if goals are fair, tax stays as an act of robbery but is free from "sins"; and the goals are fair only if they are noble and directed towards kindness.

The works of well-known scientist Ibn Khaldun (1332-1405), an Arab Muslim philosopher, historian and sociologist, are topical even today. On the base of economic activities he is presented as an author of an important concept about public progress. Along with his living period, strong postulates of "Koran" became important, which represented the fundamentals of Islam.

The concept of Ibn Khaldun doesn't disprove the wealth of trade; it emphasizes on good attitude towards work and

reprimands parsimony, greed and dissipation. Evolution of Society – "From primitive to civilization" is considered to be his main achievement. He thought that successful development of every economic sphere gave chance to multiple improvement of people's wealth and made everyone richer; the lower the tax rate, the better opportunity to develop cities and society. Ibn Khaldun considered money as an important element of economic life and thought, that golden and silver coins were substitutes of it. He thought that money represented "the quantitative component of human labor", "the value of every movable property" and he saw "the basis of savings and treasure" in it.

Creation of Muslim culture started just after Arabic conquest wars. During one hundred years (VII-VIII centuries.) The Arabs conquered Catholic territories. The Arabian Caliphate was bigger than The Roman Empire, starting from Spain ending in India. It included lots of developed countries, from where people accepting Islam took part in shaping Muslim culture; in particular, former Byzantine provinces, Syria and Egypt, which were preachers of antic culture and antic philosophy in Islamic world. In development of society, Ibn Khaldun paid attention to economics. He studied macroeconomics. While analyzing methods, we face both positive and normative approaches. Idea of environmental events is one of his best methodological statements. "The world is sophisticated and perfect, where reasons are connected with consequences. Existing objects form into other objects" – wrote Khaldun. The second important methodological statement is thesis about natural laws of development of society: "Lots of governors, who are alarmed in politics, can pay attention to the signs of destruction, which are seen in their nations and they can think that they're able to void them... they think that their state is safe because of former governors. But that's not real, this demolition is natural." Ibn Khaldun believed that society is developed through cycles; in every cycle, he emphasized on three stages. Every stage was different according to its development level. "You must know, that conditions where generations live are different according to the ways they have to get all the sources necessary for living" – he said. He calls the first stage "Wild" – where people are hunting and collecting vegetables to eat. On the second stage, called "Primitive", there are manufacturing, agriculture and cattle-breeding. On the third stage – "Civilization" – there are workmanship and trade, which are concentrated in cities. On this stage, here comes the state, which means going from equality and tribal democracy to unevenness and supremacy. Unlike the tribal leader, who was the first among peers, Emir is based on hired warriors and officials. Ibn Khaldun perceived the state as the weapon of violence over people; regarding that, on the third stage, he divides the methods of gaining wealth into two parts – natural and unnatural, that mean systemization of economic relations. Ibn Khaldun considered labor as natural and violence from government as unnatural method. Natural methods include agriculture, trade and crafting; as we see, the criteria of dividing is not the reason (as of Aristotle), but the method. Ibn Khaldun perceived taxes ("taxes create the basis for state"), monopolistic state trade ("Emirs buy products from agriculture for the price they want and then sell them for the price they establish"), court confiscation and military booty as the unnatural methods. The third and the last stage contains the grain of its own death. Time after time the needs of state raise; this leads to "establishment of new taxes", but it cuts down the labor activity of people along with "vanishing the revenues, which kill hopes regarding the trades." "If people forget about the need of getting resources for living, the market is dying, people are scattering, cities are demolished, and consequently the state and power are demolished as well." It means that although the government wants to get more funds, it will get less, the treasury will be emptied, and the army won't be financed and this state will be conquered by neighboring countries. But the history for the people living in this region will go on. If subjugator is neighboring country, time after time it will also become a

state and according to Khaldun, this state will develop according to this scheme as well.

The price of goods, according to Ibn Khaldun, is determined by demand and supply. With regards of demand, the price is determined by the utilization and “the position” of an object. With regards of supply, the price is determined by “spent labor” not only by the manufacturer, but also the material costs; it means that the price also includes “the labor of others”, as a joiner uses a tree and a weaver uses a buckle, so in this case there is more labor”.

While talking about economics, Ibn Khaldun almost always discusses the state and the rise and fall of it. He proves that every dynasty has its own natural term that rarely continues for over three generations and when it falls, a new dynasty crops up.

The scheme of taxation is directly connected with the life cycle of dynasty; this regulation gives chances to forecast how much time is left there before the fall of it or the state.

While talking about tax revenues, Khaldun mentions, that low tax rates ensures high fund is the treasury and vice versa. He explains this statement: “If a state follows religious thesis, it doesn’t demand anything more than established fee – Sadaqah (voluntary donation), Kharaj (land tax), Jizya (capitation fee) – that have really low rates. It is known, that the rate of Zakat (one tenth) is low as well. This applies to the Zakats from wheat and cattle, Jizya, Kharaj and other established fees, as long as they have conditions which can’t be violated.

Islam sets minor tax rates. For example, Zakat (voluntary donation that goes to the poor and not for the state) rate is only 2.5% of gold and silver that are in saved up treasury. Other taxes, including land tax and capitation fee, were never hard to pay in Islamic world. Hence, Ibn Khaldun states, that if the state is following Islamic principles and is not trying to increase taxes, it successfully manages to collect taxes and provides high treasury income.

In following part, Ibn Khaldun says that the reason of low taxation and high tax income is that the governor of a young state is usually interested in unity and strengthening the state rather than collecting his personal belongings: “At the beginning of the dynasty, revenue is shared between tribes and people according to their benefits and collective solidarity level. In such conditions, the leader refrains from showing the tendency of collecting his personal belongings.”

Here, Ibn Khaldun explains that the reason of low tax rates in dynasty is caused by the fact that the state corruption doesn’t exist. While the governor is interested in strengthening the state and effectively governing, the tax income is used for consolidating state institutions; and if high share of tax revenues goes to the governor himself, tax rates should be raised in order to satisfy high needs of the governor.

The classic example of honest governor is the second Caliph of Islam, Umar Ibn Al-Khattab (634-644). It is known that he had just two lamps; the first was lighted by the oil bought from the money paid by tax payers and was used only when he (Caliph) worked on state issues; the second was lighted by the oil he had bought by his own money and was used for personal purposes. For that time the state was successful in multiple spheres and initiatives.

The second good example of honest governor is Saladin. Although he was the Sultan of Egypt and Syria, in 1193, when he died, he had nothing left more than few golden and silver coins. He used state treasury money for only state interests, like strengthening the army or state institutions. By behaving so, he managed to liberate Jerusalem from The

Crusaders.

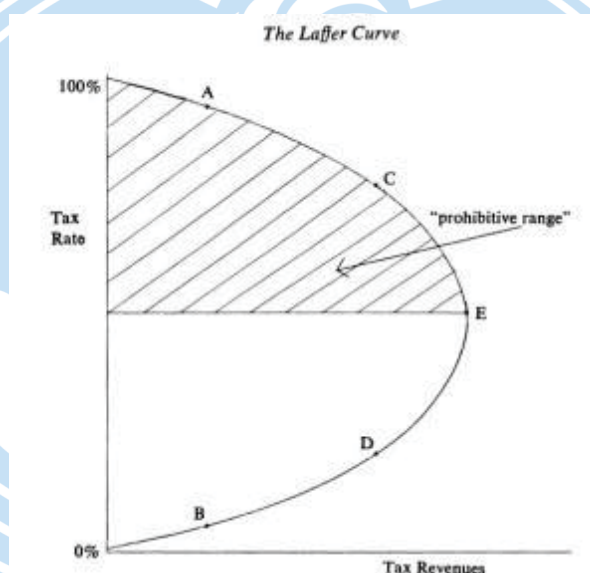
Ibn Khaldun emphasizes on one more problem regarding high tax rates: “Citizens pay taxes as if they’re carrying loads. They say it, the rates go up regularly and no one knows who’s establishing them. Citizens lose hope because benefits become unimportant. And if people compare taxes to benefits, or labor to benefits, most of them will leave their lands. Sum of collected taxes become insufficient because of the lack of the fairly shared parts. This sum always reduces and the tax rates always go up.”

Ibn Khaldun states that when the state aggravates citizens with taxes people have less motivation to invest their money in manufacturing (he calls entrepreneurs “the labor that assimilates the world”). The reason is simple – when government takes your money, the money you’ve got left is not enough to expand your business; this causes economic stagnation and, consequently, reduced treasury funds. Followers of “supply economics” believe that corporations and rich people should be taxed on low rates; by doing so, they will have enough money left to expand their business, in other words, to improving the economic conditions of poor people.

Conservative politicians like Ronald Reagan followed that approach and believed in the necessity of setting low tax rates, when theories of liberal economics say that there should be high tax rates for rich. In 1993, 40th president of US, Ronald Reagan said: “Let me tell you the advice of an Arab historian Ibn Khaldun: “At the beginning of building an empire taxes are low and income is great. At the end of the existence of an empire, taxes are high and income is low.” No, I didn’t know Khaldun personally, but it’s possible that we’ve had some mutual friends.”

Ibn Khaldun’s ideas about balanced taxation that provide high treasury income were later reflected in “Laffer Curve”. That’s why that approach is also called “Economic of leaked wealth.”

Basic curve of Laffer shows optimal tax rate, which provides maximum tax revenues. Modern economists use this curve to identify ideal tax rates, which provide high treasury incomes. Generally, the curve has a form of a parabola, which shows that both very high and very low tax rates provide low incomes. According to this theory, there is ideal average tax rate, which provides high treasury income and doesn’t complicate taxes; complicated, heavy taxes lead to less entrepreneurial initiatives.



This principle was established and graphically shown by the economist Arthur Laffer. He never appropriated this idea and always stated Ibn Khaldun as an ancestor of his ideas: “It must be said that “The Laffer Curve” is not made-up by me. For example, Ibn Khaldun, Muslim philosopher of XIV century wrote in his work “Muqadimmah”: “At the beginning of building an empire taxes are low and income is great. At the end of the existence of an empire, taxes are high and income is low.””

It is obvious, that Ibn Khaldun was far beyond the period of his living. Despite the fact that he lived in XIV century, the principles formed by him are still fundamentals for modern economic theories. The theory of economics and state, which is written in “Muqadimmah”, represents the guide which still plays an important role in modern world.

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Activities Of Tourist Bases and Problems in Georgia in the 30s of The 20th Century

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Abstract

Tourism is connected to the temporary change of the human's permanent residence. Placing is the most important component of Tourism. Information on objects of travel for the travelers dates back to the earlier past, they are named as "Taverns", "Caravansaries", "Xenon", "Houses for Pilgrims", "Hotels" etc. Genesis of places for tourists is in connection with history of tourism development, which were changed together with the time.

In Georgia and Caucasus, there functioned touring bases with the purpose of service for tourists, which provided hospitality, service and multi-form active rest of tourists, they also contained services of objects for food, restaurants and cafes.

Archive materials kept in Georgian National Archive, minutes of meetings held in excursion ruling office, union regulations, resolutions give us information about works of touring bases existed in Georgia. The following touring bases functioned at that period: "Pasanauri", "Shovi", "Batumi", "Mtsvane Kontskhi", "Tbilisi", "Kutaisi", "Ordjonikidze", "Kazbegi", "South Ossetia". Heads of the mentioned touring bases regularly held meetings in Tbilisi, they discussed their problems of work, difficulties, obstacles, working styles

Based on the critical analysis of the archive original sources, we may discuss on the activities, structure, working style and features of the mentioned institutions, the conditions for national and international tourism development, statistical data of tourists, state policy of that period, attitude of the government and tracks of agitation and propagandas of that epoch. By analyzing the work of touring bases, we may discuss about features and tendencies for tourism development in Georgia in 30s of XX century.

Keywords: Tourism, tourist bases, Georgia, tourist routes of the Caucasus, state policy, guides, problems and difficulties

The article explores the role and importance of tourist bases and problems in Georgia in the 30-ies of the XXth century.

Archival research is based on primary sources, which allows us to present a critical analysis of tendencies and characteristics of tourism development in Georgia during this period.

Generally speaking, tourism is understood as temporary change of the usual dwelling place. Accommodation is the most important factor of tourism. The information about the accommodation facilities for tourists dates back to early periods. They are referred to as taverns, inns, caravanserais, pilgrims' houses, hotels. The origin of the accommodation facilities is directly linked to the tourism development history itself. The passage of time brings about the changes in the typology of the accommodation facilities. They are of the different kinds ranging from a bungalow to a gigantic hotel. Inevitably, the service levels are different too. (Birzhakov M., 2008, p.89).

In the 30-ies of the XX century Georgia as well in the Caucasus there were some tourist bases functioning for the visitors. At present tourism experts define tourist bases in the following way: "A tourist base is a tourism facility with a set of services providing visitors with reception, accommodation, recreation and certainly eating places such as a restaurant or a canteen. Tourist bases are often located in spectacular places such as at the foot of the mountains, in the valleys, at the forests since mountaineers, skiers, hikers usually stop and have a rest there. The range of services that tourist bas-

es offer is not as broad as in city hotels but the recent years have seen the rise of the service and convenience levels at the tourist bases. (Abuladze K., 2008, p.143)

Some fifty years ago the role and importance of tourist bases were defined this way: Туристской базой называют учреждение туризма круглогодичного, летного или комбинированного типа с регламентированным режимом дня, предназначенное для обслуживания туристов, путешествующих по маршруту преимущественно с путевкам" (Baranovsky M., 1976, p.3).

Those tourist bases which were to be functioning for all the year round had to meet the following standards: «Для учреждений отдыха, и в частности для туристско-оздоровительных учреждений, важнейшее значение среда, в которой пребывает отдыхающий. Проектируя интерьер туристского учреждения, архитектор стремится не только создать оптимальные условия для прохождения функционального процесса, но и формирует благоприятную эмоционально-психологическую обстановку» (Yavrovskaya M., Mikheeva A., Zaitsev A., Evzekova M., 1975, p.5). Classification of the tourist bases was carried out according to: „выдам туризма, месту расположения на маршруте, возрастному составу туристов. сезонности эксплуатации. вместимости» (Baranovsky M., 1976, p.6). Archival material stored in the National Archive of Georgia including minutes of the meetings held in the Tourism Department, also regulations and provisions, protocols throw considerable light on how tourist bases were functioning in Georgia in those times. The

following tourist bases were operating in Pasanauri, Shovi, Batumi, the Green Cape, Tbilisi, Kutaisi, Orjonikidze, Kazbegi and South Ossetia. The heads of the above-mentioned tourist bases used to regularly meet in Tbilisi. Through the critical analysis of the available archival material we can picture how these facilities were operating, what their structure, operating style and peculiarities were.

„Обще-маршрутное совещание Управления Кавказских маршрутов” – these are the usual titles of many archival cases which cover various issues about the main goals and objectives of tourism development, about challenges and prospects of tourism. They contain the information as to how preparation for tourism season was carried out and also how the routes in the Caucasus were set. Also available are the reports of the tourist bases and of the methodologists describing both the problems they were facing activities they conducted in the field of tourism and tourism propaganda, in general, etc.

The archival documents reveal the big importance the government put on tourist bases and on wise planning and carrying out of workers' rest in those days. The government's policy was to promote diverse, interesting and exciting tours complete with cultural program. The big significance was given to the Caucasus route because of the natural diversity and beauty of the region, numerous cultural monuments dating back to the Stone Age, spectacular flora and fauna, considerable tourism resources. These factors enabled tourism officials to set attractive and inviting tours for visitors. One of the most important tasks for the tourism officials was the following: «Важная задача, стоящая перед нами, работниками туристической системы, заключается в том, чтобы так организовать наш методический экскурсионный участок работы, что побывавший у нас, максимум повидал и максимум познал, не только просто его знал, точно ему преподносится, а чтобы это было подано живо, содержательно и интересно». (Fund1862, Registration1, Case 4, Leaf 8)

The above-cited document dates back to 1937. It is a well-recognized fact that tourism and politics are linked tightly. If we take into consideration the fact that there were just 2 or 3 years left before the World War Two, it will be easy to realize the big need for watchfulness and courage that the government policy called the population for: «... это заставляет нас быть бдительными укрепить оборону и мощь нашего государства обязывает нас, в первую очередь, воспитывать и выковывать отважных закалённых и выносливых бойцов, организуя и развивая всевиды туризма (лыжный, водный, пеший, высокогорный альпинизм) проводя тренировку трудящихся в условиях того или иного рельефа местности мы выращиваем отважных, выносливых, смелых, решительных и закалённых людей» (Ibid. Leaf 9).

It is clear that physically strong and robust people were needed for the development for all the above-listed tourism forms who would be equally courageous and vigorous at military actions as well. The authorities motto about the tourism development was the following: «кто не растеряется в горах, тот не струсит и в бою». It took courage, carefulness and watchfulness to walk along the narrow paths in the high mountains: «Если люди закалились в этом деле, то это даёт нам уверенность, в том, что они будут стойкими, выносливыми и отважными бойцами и тогда когда судьба советской власти будет решаться на фронтах, если нас к этому вынудят» (Ibid.) These were the serious challenges the tourism field faced in the years just before the World War Two. The government held lots of meetings and conferences which provided the tourism field staff with appropriate recommendations. Their work was fully subject to the government policy.

The major issues in the working principles of tourist bases and tourist camps were to be warmth, friendliness, respect, care, the best of service and acceptable prices. Besides that: «туристическое движение в нашей стране, должно внести большой вклад в дело культурного воспитания трудящихся» (Ibid. Leaf 10). In addition to this, new routes of broader scale were set and offered, such as «Черноморский паромный маршрут», that would last for 23 days. Tourists would visit the Black Sea coast from Odessa to Batumi. On their way visitors were meant to stop at Odessa, Sevastopol, Yalta, Sochi, Gagra, Sukhumi and Batumi ports.

The route Balkaria-Svaneti was among the new routes. So was the town of Gori, the hometown of Stalin. The aim of the authorities was to increase not only the number of the international tourism routes but also their quality. In this respect it is interesting to look at statistics: «по альпинизму альпинистским учебным лагерям 1936 г. Мы обслужили 1 000 человек, а в 1937 году, мы должны будем пропустить в этих самых учебных лагерях 3 000 человек альпинистов. Кроме того, в текущем 1937 году мы должны охватить высокогорным туризмом, главным образом за счёт Балкаро-Сванетского маршрута ещё 12-13000 человек. Девдоракский учебный лагерь в 1936 году был рассчитан на 100 человек или 1500 человекоднев, а в 1937 году, вместо 100 человек должны обслужить 540 человек» (Ibid. Leaf 12).

Sending alpinists took place in advance in the alpinist training camps, such as Devdorak, Tseis, etc. Archival documents show that one of the hindering elements in the working process was lack of necessary tourism equipment, the inconvenient conditions of the accommodation facilities. Besides the proper tourism equipment, it was necessary to equip and furnish the tourism office, to provide it with the appropriate library that would be useful for decent recreation for tourists.

In order to successfully manage the Caucasus Routes it was necessary to build tourist bases in Orjonikidze, Tbilisi and in Green Cape. Those that were already operating faced a new challenge: to exploit the huge tourism potential of the Caucasus region at its mostest and to attract as many foreign visitors as possible. People of different age groups and various occupations used to come to Georgia. Outbound tourism was no less important. For its promotion, methodists and tour guides had to work hard to carry out propaganda work: «чтобы вывозить трудящихся Закавказских республик на Волгу, в Заполярье, Арктику, Алтай, Москву, Ленинград и на украинские маршруты по Днепру» (Ibid. Leaf 13).

Both inbound and outbound tourism in Georgia badly needed well-qualified methodists. It was up to them to take care of the staff training and also to prepare qualified staff that would meet demands of the day.

The issues of methodical work have survived of the meeting held in 1937 by the Tourism Routes Management of the Caucasus region. The shorthand records tell us about the work of A. Dzidziguri, a senior methodologist whose duty was to inspect and supervise methodological work in tourist bases. He thoroughly studied activities conducted at each of the tourist bases, at Orjonikidze, at Alagir, etc. to name just few. In his records, A. Dzidziguri noted, that it was a usual case when methodologists did not receive the necessary materials on time; then, tour guides often were not informed on time where they were assigned to work. For instance, he cited a certain case in former Vladikavkaz, when the necessary information was not passed in proper time. The organizational, creative, cultural activities conducted for tourists were not flawed either. As for the route, Military road to

Alagir (North Ossetia), it was quite good. The office for tourists was functioning well. Tourists used to go from Alagir to Mizur on foot. Only those tourists who were not well-prepared for walking had difficulties. Thus it became topical to make some amendments in the Caucasian Routes, namely, to have this distance be covered by some means of transport. Another request came from the tourist base from Tsaits, where there was needed not only a guide but also assistance from an alpinist (ibid. Leaf 44).

During Tourism Routes Department meetings and talks, methodologists discussed major issues. For instance, it was necessary to install road signs in Shovi to ensure conducting tours effectively and successfully. Here, a tour guide who was a methodologist let tourists make a choice between two options: either take a shorter 4 km long way or much longer one, reaching 24 km. Those who had good walking habits and experience, would certainly challenge the longer route. Safety was one of the most important prerequisites for tourism development. Evidently, tourists' security was not properly observed in the mentioned place, since we have found in the archive materials such an observation: «люди дошли до того, что запугивали туристов». It caused resentment and dissatisfaction among holiday makers (ibid. Leaf 45).

The archival materials inform us about the tourist base in Pasaunauri; namely, about the tourists' dissatisfaction with low sanitary conditions, with meals and accommodations at the base. In order to attract visitors and render appropriate hospitality to them, it was very important to have no drawbacks at any tourist base. It appears, that the office room was well-decorated, yet it was not enough. The materials are available also about tourist bases in Kutaisi, Tbilisi, Kazbegi.

Among the tourist attraction places in Kazbegi there were: «Гергетский ледник, водопад обслуживались людьми весьма компетентными, в частности геолог Фокин – начальник геологической партии» (ibid. Leaf 48)

The archival materials reveal that the main attraction for the keen-on-alpinism tourists was mountainous landscape of the Caucasus. They were eager to climb Kazbegi Mountain and asked for all the appropriate equipment essential for them, including footwear. (альпинистическое оборудование – ледорубы, крюки, ботинки, костюмы) (ibid. Leaf 103).

The level of cultural mass activities was lower than desired at most tourist bases. This was caused by the insufficient salary for those creative personnel who were responsible for this issue. Besides, each tourist route had its number. For instance, four routes were available at Tbilisi tourism house №12, №16, №17, №21. Each of them had special planned indicator of the tourists number it could serve. Often it was the case that tourists expressed their wish to see the places that were not on the itinerary, e. g. sometimes they wanted to see manufactures, factories and to share their knowledge. For instance, they wished to visit the factory named after 26 Communards which produced technical shoes. The cultural activities of Tbilisi tourist base are clearly described in the following document : «Мы проводили концерты, вечера самодеятельности, приглашали артистов из оперного театра и т.д. Туристы уезжали довольными культурным обслуживанием и не было нареканий, которые имели место во втором периоде нашей работы в августе, сентябре месяцах. Количество туристов в 1936 году составило **4 276** человек, из женщин было **1 419**, мужчин – **2857**, состав рабочих-становцев – **46%**, служащих – **19,7%**, педагогов – **12,6%** ИТР – **12,5%**, студентов- **6,5%**, прочих – **2,8%**» (ibid. Leaf 55)

As we find from the statistics data, tourists with various professions used to visit Tbilisi tourist base. The methodolo-

gists thought it necessary for the tour guides to know in advance about the occupations of the tourists they were going to serve in order to conduct the tour in a manner appealing for them.

According to shorthand record of Batumi tourist base director, there were both positive and negative aspects about the base. There were drawbacks in meals, and both cultural activities level and that of methodological work were poor. There was no regular transport timetable, transportation means were not enough especially during bad weather. Batumi tourist base usually began its season in May. As for the base location it was not convenient for visitors as: «База находится в районе Чаоби. Местные жители стараются уйти в центр города, потому что в этой местности малярия, что подтверждается и её названием Чаоби (болото). Кругом туристического дома стояла вода, место расположение скверное, но оборудование его было ничего себе, а филиал открыли в совсем негодном месте, улица глухая и само помещение негодное, неподходящее, обставлено некультурно» (ibid. Leaf 65).

Under such circumstances, it would be rather difficult to observe sanitary norms and security. Dissatisfactions expressed were again about food served, scarcity of cultural activities and poor methodological work. Tourists' main complaints were about the above-mentioned matters. For instance, they were not pleased with the canteen that was at 2 or 3 km distance from the tourist base. Inevitably, it caused visitors' resentment (ibid. Leaf 66). Thus, it was quite relevant to demand for an additional building near by or having a special building built for this purpose. Besides Batumi tourist base, we have findings about Green Cape base where there was not proper atmosphere for cultural mass activities. Actors and entertainers were employed here for carrying out cultural mass activities. They used to screen movies here. Visitors used to arrive here from Leningrad, Moscow to enjoy really spectacular nature and to have a good rest. The season was usually crowded here: «Вместимость туристического дома «Зелёный мыс» был перегружен, т.к. там помещалось 300 человек, а фактически он обслуживал 350 человек.» (ibid. Leaf 71). This was the usual picture of the tourist base work while the level of tourism infrastructure and facilities equipment was below the desired one.

All the tourist bases had some difficulties in their work that were chiefly caused by their geographical location and relief. One of the most exciting and impressive of the tourism tours was Georgia's Military Road which was rich in sightseings-historical, cultural, ethnographic places complete with breath-taking views and landscapes. When planning tourist routes it was taken into consideration that a tour guide would not be able to conduct the tour effectively and successfully along the Military Road unless they had special skills and both mental and physical strength: «Кроме того недостаточно хорошо знать материал, недостаточно уметь литературно излагать его, нужно учесть своеобразие обстановки, связанной с условием объяснения при передвижении. Нужно уметь дать материал, вернее успеть дать весь материал» (ibid. Leaf 72). A tour guide had to pass information to visitors: «Вам приходится объяснять в пути, в рупор, под шум мотора и реки » (ibid.). A tour guide had to be skilled in art of conversation : «Нужно выхватить то, что наиболее важно, нужно точно рассчитать где начать говорить и где кончать. Вот на эту технику и методику объяснения, вызванную своеобразием условий работы экскурсовода нужно обратить внимание » (ibid.). Besides, the road was very demanding. It took a traveler big physical and moral strength and efforts. Mountain height, the changing blood pressure inevitably affected human's health (ibid.).

The tour to Khevsureti was especially popular in the Caucasus for tourists - Bibliani, Chabaruni waterfall, Sak-erpo settlement, as one of the most beautiful ethnographic units of northern Georgia. Tourists mainly took footpaths or equestrian trails. In the reference books and guidebooks, there was mentioned that tourists would be provided with horses, yet they did not always have enough horses, especially for large groups. This caused tourists' indignation. Guide methodologists considered it necessary to show the exhibitions of Tbilisi Ethnographic Museum to their guests, concerning Khevsureti, where a great number of interesting exhibits, a variety of historical - ethnographic materials were presented (ibid. Leaf 98).

Compared to the previous years, economic condition was significantly improved by 1937; the inventory was purchased. Although tourist bases had already been built by 1937 in Tbilisi, in Orjonikidze and on Green Cape, they were not enough to satisfy all needs. It was necessary to build more tourist bases in the Caucasus: in Tbilisi, the one that would serve 400 people, in Batumi for 250 people and in Alagir – for 150 people. Transportation schedule had to be regulated on the Military roads by buses as well as by trucks.

On the union meetings, they considered it appropriate to establish the cognitive educational trips for the personnel of tourist bases, the aim of which was sharing and understanding the experience and planning new routes. Tourists have always been interested in the Caucasus, the fact evident not only from the archival documents, but from the periodical press of that time as well, where the materials about the tourist base activities are presented.

According to the data of Tourism Excursion Department, by the 50-ies of the XX century tourism base network had significantly expanded. "By 1956, there were 15 tourist bases, that provided services to 16 nationally important routs in our republic". As the deputy chief of Tourism Excursion Department A. Janjgava mentioned, by 1956 "tourist bases of Georgian Tourism Department provided its service to 350 thousand tourists and excursionists, including those from Moscow, Leningrad, Stalingrad, Karelia-Finland, etc. As the press informed: "robust, suntanned tourists from different parts of the Soviet Union are flowing in an endless stream to enjoy the beauty of Georgia. One group is coming by the Military Road of Georgia, another – from Teberda and Klukhori – to Sukhumi, and the third one from Bakuriani to Zekari Pass, over Adjara-Imeretian Mountains" (Newspaper "Sakhalkho Ganatleba ", 1956). It seems that, Bakuriani tourist base often hosted tourists from Siberia, Moscow, and Leningrad. People of different professions gathered here: engineers, literature and art workers; three-, eight-day hikes were organized from the base that the tourist base authorities took care of : "Tourist base provided with sleeping bags, tents, rich in calories, diverse food" (Newspaper "Lelo", 1956). Hiking has always had a lot of followers, as at present as well as tens of years ago. It is noteworthy that in the 1950-ies the representatives of the tourist bases did their best to offer a variety of hiking trails.

Conclusions

1. Above-mentioned documents clearly show the spirit of epoch, the government policy, the trace of its propaganda. The crucial importance that tourist organizations, tourist bases had for tourists' high quality rest is noted everywhere.

2. One of the primary tasks to successfully conduct tourism activities was to take secure high qualification of tourism personnel. Since it was up to them to design and conduct di-

verse and exciting and complete with cultural program tours. Rich and diverse natural resources, abundance of cultural and historical monuments in Georgia presented the great advantages for tourism personnel.

3. In those days all the fields of social activities operated on 5 –year- plan principle. Tourism sphere was no exclusion from it.

4. The effort to work on the Caucasus tourism route was really painstaking. There were several serious drawbacks here that were caused by low quality of tourism infrastructure, lack of proper equipment and supplies, poor accommodation, lack of tents (e.g. in Kazbegi). There were both positive and negative records of tourists that they put down in so-called 'impressions book' at the tourist bases. Tourism personnel often were not able to meet the demands.

5. To be fully provided with transportation means was most essential for tourism development. There used to be lots of predicaments and emergency situations while travelling along the Military Road of Georgia (landslides, avalanches, to name a few). There were problems connected with travelling by sea as well. For instance, in Batumi, tourists often had to wait for their transport for hours and sometimes tourism personnel had to hire private motor boats for visitors.

6. Through the analyzis of tourist bases activities we can have a clear picture of tendencies and particular traits of tourism development in Georgia in the 20ies and 30-ies of XX century.

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Hotel Business in Georgia

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Abstract

Tourism industry growth foresaw the up- growth of the demand for facilities for tourists. According to the data from the National Tourism Agency in 2012 there are 1051 facilities for tourists. The number of hotels, hostels, guesthouses and colleges increases in proportion. The most common among them are hotels, which occupy 64% of the market.

There is a great interest in this field of business not only from tourists but the business sector itself, who/which are interested in tourists' accommodation (facilities, tourist agencies and etc.). The article covers the history of Georgian hotel business, its development ways and common situation, the inner and international standards appearing in this business, problematic issues and future perspectives.

Keywords: Tourism industry, facilities, accommodation

Since the beginning of the 20th century development of the tourism industry in the country has become a priority. State policy was directed entirely towards the progression of this field. The government is believed to play an important role in the development of tourism in the country's economic revival.

The government began active promotion of the country as a tourism product, as a result there is the great interest to travelers. From year to year the number of visitors increases. According to the data of National Tourism Administration in 2013 there were 5 392 303 persons in Georgia and about 38% have spent more than 24 hours here on the country's territory. So, based on these data, we can say that the number of visitors grew 22 % in 2012.

Due to the total background, demand for tourism products in the country has been increased. Tourists are interested in the facilities most of all. There were 1065 facilities recorded in Georgia last year. They were able to host 37317 guests at a time. In proportion of demand, increases the number of hotels, guest houses, sanatoriums, hostels, sports schools and cottages. The most common type of the facility is a hotel, it occupies 64% of the market. After the successful year The Tourism Agency announces that there are not enough resources of hotel for the expected flood of tourists. As the head of The National Tourism Administration George Sigua announces hotels and the quality of services are considered to be a major priority in the development of infrastructure. Let's look at the past and present of the hotel business and see why it became actual to improve the infrastructure and quality of service. Is there any problem or not? And if there is, how are we able to solve it?

The hotel business in Georgia doesn't have a long history. The 1st hotel appeared in the beginning of the 19th century. There is a lack of information about facilities, because

they were not so important at that time. Such places were known as "Khanagebi" a place of residence for foreigners in the 17th century.

The 1st hotel was a guest house, founded by the former soldier of Napoleon's army Jan Paul. It was located in Tbilisi, Upper Kala district and it was too popular in the 20ies. The number of hotels sharply increased in the 50ies of the 19th century. There were opened "Hotel de Prince", "Europe", "Italy", "Kavkaz", "London", "Berlin" ect. In Tbilisi Among them steady successful were "Kavkaz" and "London." "London" enjoyed a good reputation for a long time and was known as an innovator. It was one of the 1st that offered guests an electricity and a garage. Its staff was considered as its pasteboard because they were well aware of international languages.

Hotels and products offered by them were in stress of evolution step-by-step – in the 40-ies the guest got a bed in room and they had to shape linen him/herself. From the mid-sixties highly regarded hotel that offered a guest mattress and linen; Hotel "America" separately charged approximately the amount of linen;

The problem was the water supply system, not every room was provided by water. There were not bathrooms or showers, later it became mandatory requirement, and central water heating systems became active in use.

From time to time hotels were able to provide guests with water, electricity, heating and meals, but still the problem was high prices and low quality of service. The prices were twice higher in Georgia than in Europe in the 19th century.

Nowadays, there is the same problem, the costumers are dissatisfied with the high prices and low quality of ser-

vice. Although the 21st century, and as the problems that we had in the past had to leave the 19th century, we have to discuss the same issues. This refers to the hotels of regions as well as hotels in Tbilisi.

If we look through the costumers' comments on the web-page even now we will turn their dissatisfaction with the old food for breakfast, insects in the room, or the absence of security measures, unfriendly staff and communication problems in the hotels with 3 or 4*. While the price may be upper than 80\$

It seems that we are developing and advancing services in this area, adding services, offer new services to the guests, but the main problem is the quality control.

Lacking of control of provided tourism products. For those with a higher price hotels have full discretion to provide guests with their own high price tastes and abilities service. However, the majority of hotels in the country, unfortunately, does not satisfy the basic requirements of the visitors. The proposed services are of low quality, but the price is unduly high. In this respect, the situation is actually uncontrollable. There is no reliable assessment system that can guide the visitor. Hotels assess their service by themselves and decide how many stars to give their services to evaluate the proposed service. Visitors get the information that will attract them and are not allowed to examine. It will not be loud if we say that the hotels make the users misleading.

As a result there are thousands of disgruntled tourists who come to the reservation, according to the four-star hotel where they have "dry bread" for breakfast.

Hotels that satisfy international standards and the monitoring of the activities are actually carried out, the country's franchising hotels such as „Radisson Blu Iveria“, „Tbilisi Marriott; Courtyard Marriott“; „Sheraton Metekhi Palace“, „Holiday Inn“ and „Citadines“. They are controlled by Franchise-issuing. Therefore, they deserve the same quality of service to satisfy the requirements and evaluation of the brands that the brands have abroad.

There are several systems for the evaluation of hotel service in the world. Among them, the most common is the French grading system - the star classification

According to this system, the service of hotels are graded from one to five-star hotel services, depending on what standard do they satisfy. Monitoring and influential class is assigned by the competent authority, which deserves the confidence of tourists. The hotel is given a relevant document in case, they are awarded with the stars.

In addition, there are an evaluation system, known as "letters" and "laid" which are less common, grading by letter system was introduced in Greece. According to this system hotels are divided into A, B, C and D categories. Laid evaluation system is much more difficult than the stars and letters. In order to equal the stars you need a crown.

As already mentioned there is accepted star classification system in Georgia. There is an organization Global Star, which has 300 hotels evaluation criteria and issue a corresponding certificate

However, the organization will monitor hotels if the hotels would like it. But it is hard to imagine how are the hotels eager to join the organization "Global Star" and motivation to satisfy their requirements when they are able to get as many stars as they want themselves without any monitoring. And nobody will impose liability.

It is necessary to take effective measures to ensure that the stars are awarded arbitrarily ceased. Standardization to be the prerogative of only one organization, subordinate to the authority of the act to regulate the granting of the relevant standards and arbitrarily imposed.

But in case, the problem is how much will it be acceptable to businessmen who cannot qualify for hotels minimum standards or will not get the desired estimate. Their ratings will fall and they will have to sacrifice quality in order to increase financial resources. This will cause resentment in this segment.

To get affected instead of development the environment, will be disastrous for the hotel business going forward.

The priorities of National Tourism Administration gives hope to improve these sub fields this year. In the process of drafting the best step would be to involve representatives of tourist companies and the hotel business. Problematic issues between the stakeholders is essential to finding solutions for them.

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Business in Developing Country: Towards Business Ethics and Corporate Social Responsibility

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Abstract

This work attempt to address the concept of business ethics (BE) and corporate social responsibility (CSR) in the developing country as a catalyst for sustainable development. To explore the terminology and concepts in details, the criterion of social accountability was looked into. The aim of this paper is to provide a better understanding of the changing role of business organizations in a society especially in the developing nations. The premise is that the drivers of change should be sought within businesses and harnessed to implementation strategies. But, if the primary responsibility of businesses is to make a profit, where does social responsibility come into it?. This paper structured as follows: The first section reviews the history of each term and analyzes the concepts. The second section explores social accountability in relation to the main concept. The third section presents the role of these concepts in enhancing sustainability to business and society at large.

Keywords: Business ethics, corporate social responsibility, social accountability, sustainable development

I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social value — companies that both do well and do good... Increasingly, shareowners, customers, partners and employees are going to vote with their feet — rewarding those companies that fuel social change through business. This is simply the new reality of business — one that we should and must embrace.” — Carly Fiorina, Chairman and Chief Executive Office , HP (2001)

I. Business Ethics and Corporate Social Responsibility: Conceptual Definition

The concepts of business ethics and social responsibility are often used interchangeably, although each has a distinct meaning. The term business ethics represent a combination of two very familiar words, namely “business” and “ethics”. The word business is usually used to mean “any organization whose objective is to provide goods or services for profit” (Shaw and Barry, 1995). The fact that business organizations are open systems means that although businesses must make a profit in order to survive, they must balance their desire for profit against the needs and desires of the society within which they operate. But since the 1990s, increasing concern over the impacts of economic globalisation has led to new demands for corporations to play a central role in efforts to eliminate poverty, achieve equitable and accountable systems of governance and ensure environmental security. In essence, the approach is to view business as part of society and to find ways to maximise the positive benefits that business endeavour can bring to human and environmental well-being whilst minimising the harmful impacts of irresponsible business.

The word ethics in the term business ethics comes from the Greek word *ethos*, meaning “character or custom” (Shaw and Barry, p.3). Ethics has been defined in a variety of ways: “the study of morality” (Velasquez, 1998, p.7); “inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards and rules of conduct” (Ferrell and Fraedrich, 1997, p.5); and/or as “the code of moral principles and values that governs the behaviours of a person or group with respect to what is right or wrong” (Daft, 2001 p. 326). Based on these conceptualizations, the definition of business ethics adopted here

comprises “the moral principles and standards that guide behavior in the world of business” (Ferrell and Fraedrich, p. 6), whereas “an organization’s obligation to maximize its positive impact, and minimize its negative impact, on society” is being termed corporate social responsibility (Ferrell and Fraedrich, p. 67).

As we all know, Corporate Social Responsibility (CSR) is an expression used to describe what some see as a company’s obligation to be sensitive to the needs of all to take account not only of the financial economic dimension in decision-making, but also the social and environmental consequences. These concepts is a multidimensional construct comprising four subsets of (1) economic; (2) legal; (3) ethical; and (4) voluntary philanthropic responsibilities (Carroll, 1989, pp 30-33; Ferrell and Fraedrich, p.6). The economic responsibilities of a business are to produce goods and services that society needs and wants at a price that can perpetuate the business and satisfy its obligations to investors. Thus, social responsibility, as it relates to the economy, encompasses a number of specific issues, including how businesses relate to competition, shareholders, consumers, employees, the local community and the physical environment. The legal responsibilities of businesses are simply the laws and regulations they must obey. It is the bare minimum required of business organizations by society in return for allowing them to obtain the inputs they need from the environment, transform inputs into outputs and dispose of outputs -- in the form of goods and services acquired by consumers in order to satisfy their individual needs and wants. The legal dimension of corporate social responsibility, thus refers to obeying local, national and international law regulating com-

petition (procompetitive legislation) and protecting: workers' human rights (equity and safety legislation); the consumer (consumer protection legislation); and the natural environment (environmental protection laws). Ethical responsibilities are those behaviours or activities expected of business by society -- yet not codified in law. Lastly voluntary philanthropic responsibilities are those behaviours and/or activities desired of business by society and referring to business contributions to society in terms of quality of life and society's welfare - for example, giving to charitable organizations and/or supporting community projects.

Spicer (1978), posit that CSR initiatives can lead to reputation advantage as improvements in investing trust, new market opportunities and positive reactions of capital market would enhance organisation's financial performance. This view was supported by Griffin & Mahon (1997) that investment in Corporate Social Responsibility has a big return in terms of image and overall, financial result; the related benefits, in fact are bigger than the related costs

II. Social Accountability and Corporate Social Responsibility

The mechanisms a company uses to demonstrate accountability are varied and inevitably need to change and grow as a company evolves; at the same time effective systems for increasing accountability generally allow the company to be inclusive, responsive and engaged with its stakeholders. Accountability in its basic sense implies rendering of accounts and, by extension, indicate answer-ability to an external agency or group and, further, implies ensuring propriety, legality and safeguarding public interest in satisfaction of the expectations of the external agency or group. Social Accountability suggests accountability to the people; this is a core value in a democratic set-up. In a decentralised democracy the basic objective is power to the people. *Accountability and Business for Social Responsibility* (2003. June).

Corporate accountability today spans emerging CSR issues like business ethics, diversity, marketplace behaviour, governance, human rights and labour rights as well as more traditional areas of financial and environmental performance. Effective and accountable management systems help companies shape cultures that support and reward CSR performance at all levels. As part of this effort, companies need to increase accountability for CSR performance at the Board level. This can help to fulfill its responsibilities to investors and other stakeholders.. Finally, business organisation needs to integrate accountability for CSR performance into actions ranging from long-term planning to everyday decision-making, including rethinking processes for designing products and services and changing practices used to hire, retain, reward, and promote employees.

II. Concepts of CSR And Sustainable Development

The concept of sustainable development emerged in the 1980s in an attempt to explore the relationship between development and the environment. According to the Brundtland Commission, sustainable development is 'a process of change in which the exploitation of resources, direction of investments, orientation of technological development, and institutional change are made consistent with future as well as present needs' (Brundtland WCED, 1987).

The first step towards a more sustainable organisa-

tion is often assumed to be thinking about what John Elkington (Elkington, 1997) termed businesses' "triple bottom line"(TBL). The TBL comprises an economic, a social and an environmental element and, it is argued, the balancing of these three may well move organisations in more potentially sustainable directions. Whilst the economic element of the TBL might be approximated by the profit figure, many businesses and business commentators have assumed that eco-efficiency might approximate the environmental "bottom line" whilst social responsibility might approximate the social element. By and large, business is thought to make a positive contribution to the development of underdeveloped countries through their investments, products, and services. More specifically, contribute to the development of less-developed countries by providing access to technological and management expertise, investment and employment, and training for all levels of the employment hierarchy. However, the lack of both absolute limits within the idea of sustainable development and of an appropriate regulatory system and strong financial conditions in the host country can counteract positive contributions, causing the companies' presence to be detrimental rather than beneficial to the countr .

A well-implemented and strongly enforced CSR policy is key to sustainable development. CSR is a comprehensive notion that takes into account economic, social, and environmental concerns and, at the same time, protects the interests of all stakeholders by requiring greater transparency. Inherent in the social responsibility of corporations is the understanding among corporate managers that their business decisions must be made with consideration of a "wider range of constituents than shareholders, and thus [they] ought to consider the implications of their actions on employees, consumers, suppliers..., the community, and the environment." (Williams, supra note)

In the end, a well implemented and well-enforced CSR strategy that utilizes a constant dialogue with stakeholders should result in:

- respect and care for the community of life,
- improvement in the quality of human life,
- change in personal attitudes and practices,
- empowerment of communities to care for their own environments,
- provision of a [global] framework for integrating development and conservation, and
- creation of a global alliance.

All of these lead to long-term value creation of the corporation, its stakeholders, and the communities in which it operates.

Although CSR policies will vary among industries and among companies within those industries, three main areas that CSR policies will influence have been identified. First, CSR requires the implementation of socially responsible core business activities that minimize negative impacts and optimize positive impacts. This includes compliance with international standards concerning the environment, labor, and human rights. Companies can also be more proactive in controlling the risks and social costs associated with their activities. Second, companies should institute poverty-focused social investment and philanthropy programs such that their contributions to host communities and social causes become integral to the company's strategy. Third, CSR requires corporations to become engaged in public policy dialogues and institution-building with the goal of fostering

an environment that is conducive to both profitable business and sustainable development.

Finally, the highest degree of social responsibility that a firm can exhibit is the social contribution approach. Firms adopting this approach view themselves as citizens of a society. These notions of corporate citizenship should be operationalised through engagement and dialogue with stakeholders and corporations should always engage with their stakeholders and build relationships with them (Waddock, 2001). The assumption is that corporations should do all these things because (1) good corporate citizenship is related to good financial performance, and (2) if a corporation is a bad citizen, the reputation and the image will damage and then its license to operate will be revoked by society.

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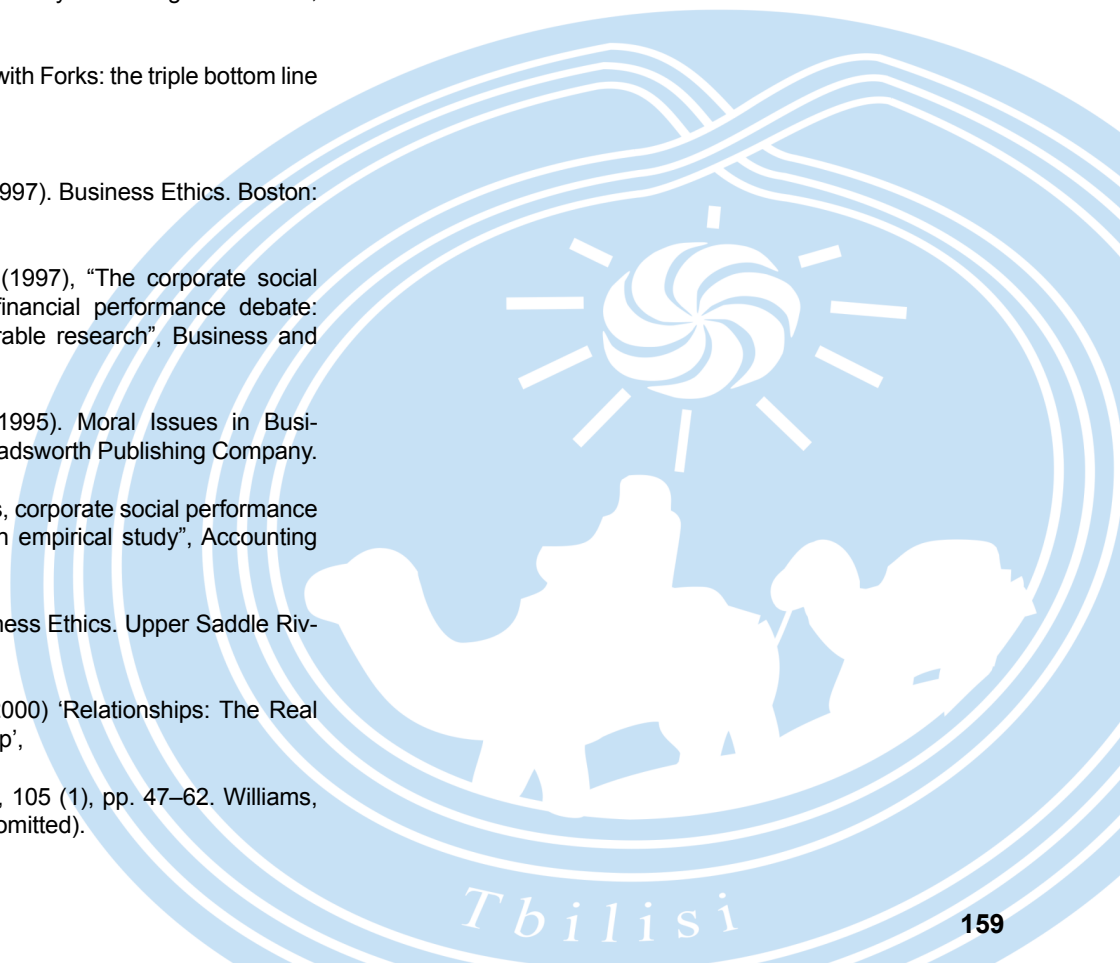
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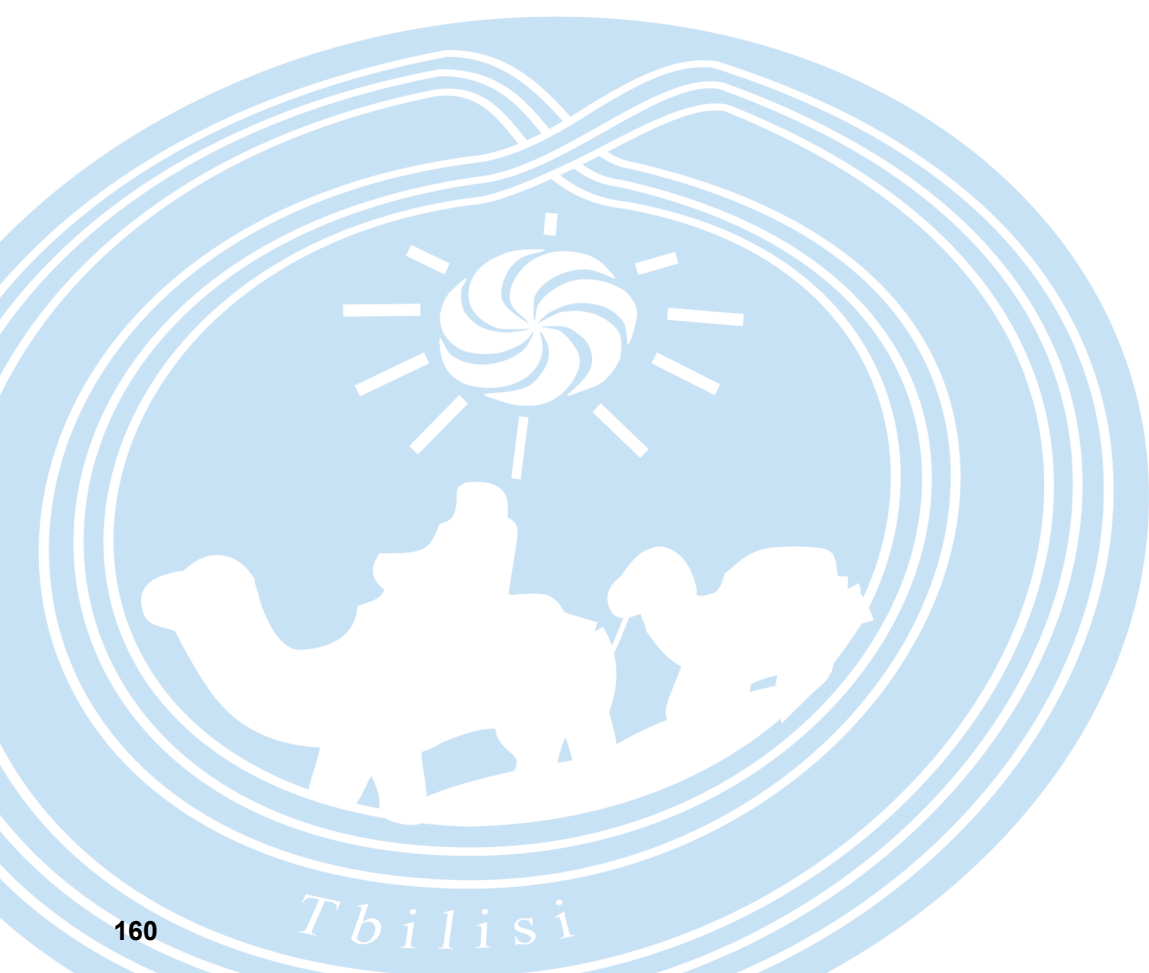
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The Role of Human Capital in Economic Inclusive Growth

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Abstract

The paper describes the current poor state of the economy of Georgia, which is justified in the circumstances outlined in this speech, and the necessity of realizing the objective of inclusive economic growth, as well as the role of human capital. It is emphasized that inclusive economic growth implies, on the one hand, involvement of the general population in the economic wealth and growth process, and on the other hand the economic growth brought by the use of the good of all citizen, including growth, employment and income generation to feel the goodness of people, and not by the state. Argumentative, that inclusive growth is one of the main conditions for the development of human capital. That's why Georgia should invest in developing human capital and personal competitive people without competitive firms, while firms in the competitive category are on in international competitive state. The author proposed a classification of reproduction of human capital.

Keywords: human capital, Inclusive economic growth, competitive

Introduction

Foregoing labor goals are to characterize Georgia's disadvantageous condition in economics, substantiate the inclusive economical growth's of objective needs and silhouette human capital's role in its realization.

What is the condition of Georgian economic security by general indicators? Real GDP on each soul in a well-appointed country must contain minimum 5000-12000 US dollars. But in Georgia the index is equal to 3596 US dollars. That's why it is only on the 115 place worldwide. The unemployment should be 5-6%, but in Georgia it's 16%. Investments Share in GDP should be 25%, but it is only 5-10%. It means Georgian economic is in a user type. There is a Georgian idiom: "The one who prefers today's egg to tomorrow's hen, tomorrow will eat less egg and less hen". Living wage in Georgia is 37%. Foreign trading helps economy to grow only when import and export are balanced. But in Georgia the import exceeds export by 3.5 times. Usually in the market basket native production must prevail, but in Georgia imported production holds 75% of the market basket, which means the native market is more keen on import exceeding export. Georgia has more employed citizens abroad (750-800 thousand) than in Georgia itself with 600 000 ("Weeks Palette", April, 16, 2014). That's why compatriots from abroad send millions of dollars to Georgia (U. Samadashvili, Business Bases, Tbilisi; "Universal", 2013, p. 430). Therefore Georgians demand and deliveries biggest part come from abroad. This means that there is neither user nor producer, just mediation and trading of products. All this expresses Georgian economic am Orphism.

I. Materials and Methods

Methods of analysis, synthesis and comparative analysis were used in our article.

II. Results

From worldwide practices we know that the only way out of this situation and to rise populations prosperity is fast economical growth. That's why the government of Georgia pays attention to inclusive economic growth, but what does inclusive economic growth mean? Inclusive economic growth on the one hand means to include the population in the economic wealth growth process, and on the other hand to include them into growth of profit. The people should feel increasing employment and raise of income without government's social help (N. Khaduri, Georgian economics main problems, "Ekopallate", 24.02.2014). This kind of method approach doesn't give good effects on people. It makes them passive and holds economic development.

What made Georgian government to choose the inclusive economic growth? In spite of the fact that economic grew over the last 10 years, the increased wealth gathered among a narrow group of people. That's why the government wasn't able to decrease poverty and reflects economical growth on population's general prosperity. This deepened the gap between rich and poor, which was one of the main reasons of social rejection and apathy (I. Gharibashvili, "Our strength is our intellectual resource", World, 2014, p. 134).

In the long-term, a steady and inclusive growth of economic policy goals are to decrease poverty and to achieve population's general and differential prosperity, to give them the chance and opportunity gaining income by helping socially at least to the poor layer of population. Herein, in times of "steady development" nowadays generations' needs must be satisfied by not harming future generation needs and not engender their possibility of resource exhaust and environment degradation.

Long-term steady and inclusive growth doesn't need instability's stability (which takes place recently), nor sim-

ply steadiness, but constant stability. Without forecasted stability thoughts about investments, moreover long-term foreign investments and their positive effects are excluded. Though the investments in economics are like fuel for a car. A car can't move without fuel, so economics without investments.

From the experience of developed countries, the guarantee of steady and predicted stability of the middle-class is about 50-60% of the population. Nowadays the middle-class in Georgia is about 25%. Middle-class is some kind of "buffer", which abuts (marks off) the countered sides, rich and poor, and doesn't give them the ability to collide. The thinner the "buffer" is, the higher the danger of collision. Because when society consists only of a big part of poor and less rich, there is a bigger chance of countered sides to collide, a danger of revolution and correspondingly danger of country's political instability. Herby, if the society consisted of only rich and poor classes the thought about effective, innovative economics, democratic and impartial, free elections is exceeded. (U. Samadashvili, "Business and innovative economics, Middle-class formation source in Georgia", International scientificresearch conference, May, 24-25, 2013, Kutaisi). Unfortunately, in the strategy of "Georgia 2020" the need of middle-class formation isn't considered, which is in our point of view.

According to the strategy of "Georgia 2020", one of the main braking factors of economic growth is weakly developed human capital.

In fact, the government and the individuals try in every possible way to conserve resources for education and science and don't consider the fact, that the expenses of cheap and low-qualified education are bigger than expensive but high quality education. Moreover, we often brag that Georgia with its cheap labor force is attractive for investors. But we forgot that cheap labor power means low qualification, low income and low income means low standard of life and poverty.

It must be accented that low qualified workers and innovations in advanced technology are incompatible, which naturally inhibits progress and construction of economics established on education.

This fact is confirmed by the researchers of post Soviet Union territories, conclusive in the article of Russian publication "Vlast", where it is stated that Moldova spends the most money on education in percentage of its GDP index. Moldova increased this index from 6.8% in 2004 to 10.9% in 2012.

According to the educational field, Ukraine is on the second place, but Georgia is on third from the bottom with 2.9% and Georgia outruns only Armenia and Azerbaijan by 0.1% (Weeks Palette, April, 16, 2014).

If Georgia really wants to reach long-term, steady and inclusive growth of national economics, which means universal and differential prosperity, it needs to invest into weakly developed human capital, invests into education on the long-term guarantees economic growth also in physical capital (new installations, buildings, roads, etc.).

For example, in well-appointed countries investments into education and science increases the GDP level by 40%, and after 5-7 years these investments will reach full effectiveness and exceeds oil and gas production indexes (Magazine "Commentary", 2003, No. 1. p. 40).

Nowadays, to settle modern economy Georgia need

people with modern economical knowledge, many years of experience, inner renovation abilities, knowledge of world languages, techniques and technologies and tolerable human characteristics. Without competitive people its unimaginable to have competitive firms, and without competitive firms there won't be a competitive countr .

We think that the manufacture, educational reproduction can be realized by reduced, simple and extended reproduction (it's about mastering the stored progressive theoretical-practical and experienced knowledge by mankind in our own specialty).

In reduced knowledge reproduction, workers don't fully possess in their profession having progressive, experience knowledge, which means personal non-competitiveness. This kind of employee usually can't find a job similar to their specialty and stays unemployed.

In simple knowledge reproduction, workers fully possess in their profession stored progressive, experience knowledge, keeping their business contract, positive image and work place. In this situation we have personal competitiveness.

In extended knowledge reproduction, workers not only possess in their specialty stored progressive, experienced knowledge, but they do bits in knowledge development. In addition, those workers posses' inner renovating abilities, knowledge of world languages, tolerable human characteristics, business contracts and positive images. In this case, we have workers with a personal competitive advantage. This kind of personal competitive advantageous employee doesn't search for a job, but jobs searches them. This type of a characteristic Georgian employee will be competitive not only in Georgia, but all over the world.

Educated and personally competitive people, except the above mentioned, have a lot

of positive effects, which have influence on other people's economical state. For example:

1. The more people are educated and experts, the higher is their productivity, the more they do for national economy development and, accordingly they get more income (e.g. in theUSA higher educated person receives 3 million dollars income up to the age of 65, a person without this education only receives 1.5 million (P. Samuelson, V. Nordhouse. Economics text-book. Tbilisi, 2005, p. 133).

2. Education and high income means high standard of life. Better future is precondition of generation's growth.

3. Educated and profitable people to satisfy their rich and various intellectual values, pay service fees by themselves in order to develop their finances and intellectual wealth's in fields like: culture, science, sports, etc., which assist the market to become more cultural.

4. Educated people choose better parties in elections which means better support in future and development (L. Khalcerovich, "Government in transitional period", 2002, p. 118).

5. Educated, economically and socially active people are the main subject and creator of knowledge to establish an effective, economical and democratic civil society, which we are trying to build. Without there won't be a future or acceptance in an united Europe.

Unfortunately, today in Georgia one of the fierce problems is "brain drain", that is immigration of educated people to economically developed countries, where higher

standard of life awaits them. Human capital has a lot of negative external effects; "brain drain" leaves people who stay in the country in poverty.

We think that a decrease of qualified cadres in Georgia isn't a way to a better future. That's why, to overcome this, we think that the problem must be governments' main task on the long-term.

In order to develop human capital in Georgia it needs: Development of labor power orientated on labor market needs, which means educational; professional occupations; improvement of labor market informational system reinforcement; social welfare, which means public assistance; improvement and integration of disabled people in economic processes; as well as a qualitative and accessible health care maintenance (Georgian socioeconomical development strategy). In the end, we Georgians are poetic, lovers of singing, dancing and feast, but it's really important to realize that it is the 21st century: the new economics age; the knowledge age and the information age.

Discussion and Conclusions

1. Why is the 21 century the age of new economics? In this time period economic resources, particularly in non-reproductive resources (oil, gas, coal, etc.) are limited. By worlds energetic council's statement there are 43 year stocks of gas and oil worldwide. (See "New Merchant", 2007, No. 2, p. 16). At this rate real GDPs steadiness growth can't continue by the use of more production space, labor and capital, but a more effective use of existing resources, which is called innovative economics. Subjects of innovative economics are: scientists, inventors and businessmen. The scientists' function is to improve the universal scientific knowledge, the results are discovery. The inventors' function is to transform discovery into new consumer values which result in invention. The businessmen' function is to transform inventions into goods and inventions utilization, so called result innovation. As in economics, it is the science of searching ways that help using existed limited resources effectively.

2. Why is the 21 century the age of knowledge? In modern economics knowledge is decisive and not the natural resources, labor or capital. Modern industry and its factors and products are science-intensive, knowledge-intensive and not labor-intensive and capital-intensive. A good example is the Japanese industry, where processes of manufacturing continue without involving a lot of people.

3. Why is the 21 century the age of information? Modern economics effective function, manufacturing and personal factors by effective organizations, which greatly depend on right management decisions. Right management decisions need operative and reliable information. In ancient times for spreading information were used horse couriers, pigeons and other kinds of messaging which needed a very long time to reach. In modern society communication spread the information worldwide during seconds.

In the USA and generally in Western Countries one reason of higher education is a highly developed economy. But this connection between economy and education is not one-sided, but mutual. A high and good education is essential for economical development and high income and vice versa. A high income means having a high education system. For a less developed country as Georgia it is

undoubtedly one main task for the nearest future.

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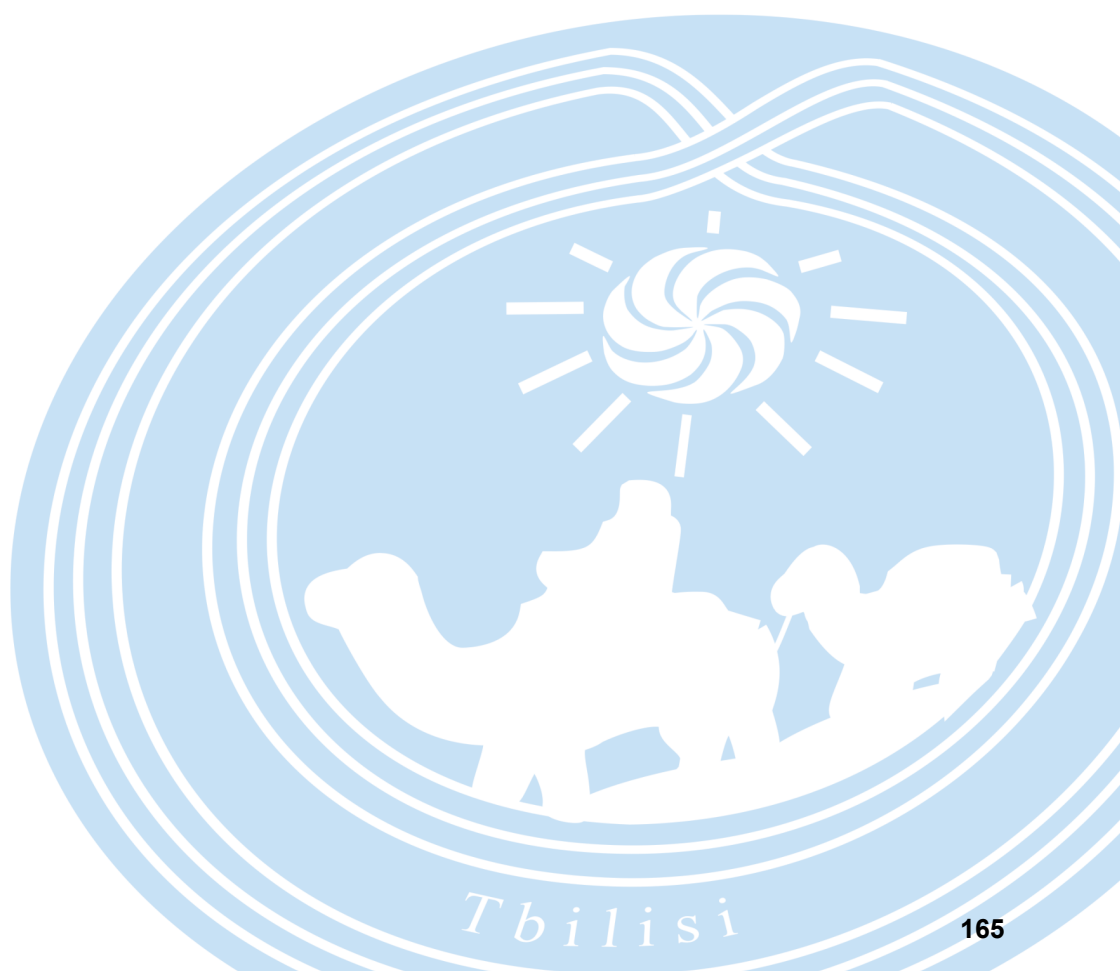
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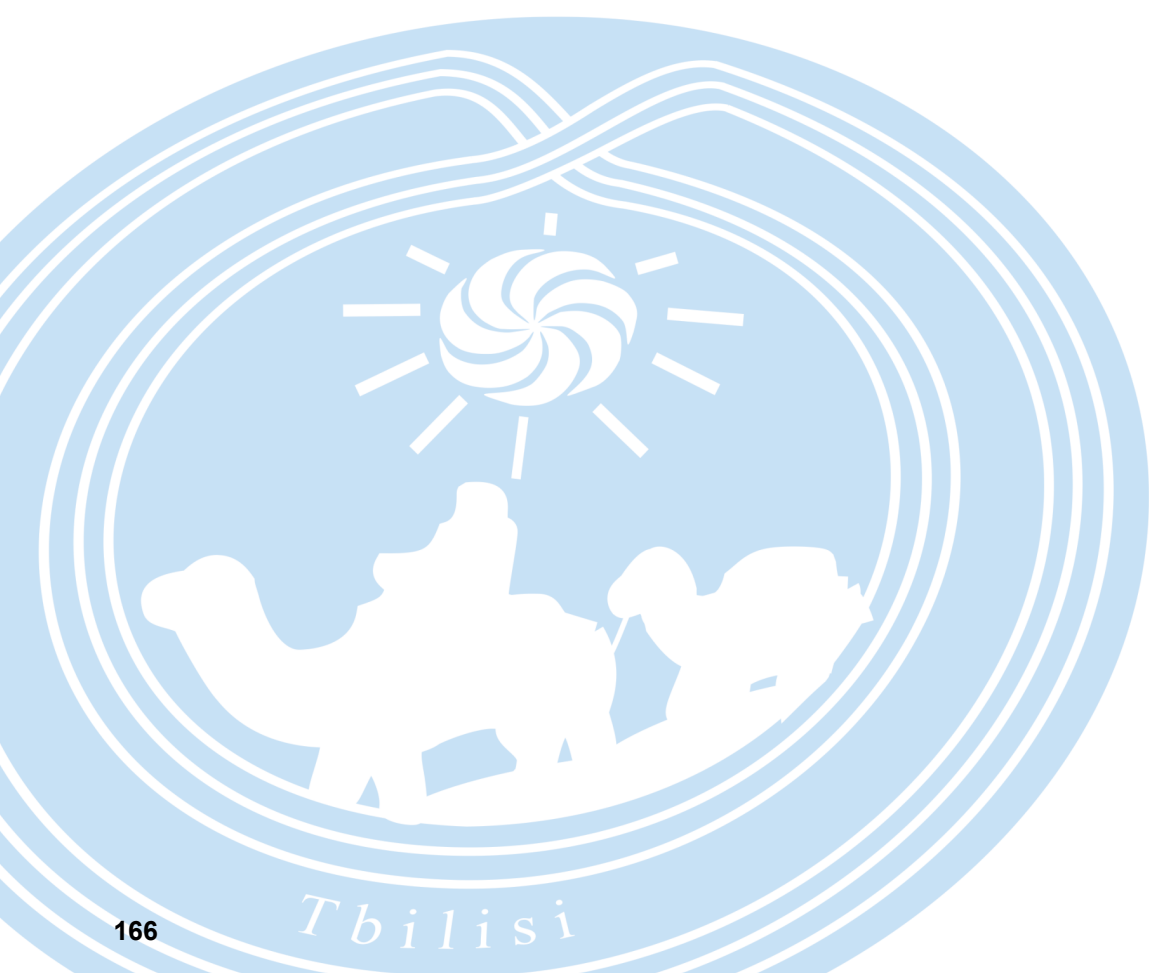
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Economics





The Utilization of the Municipal Waste and Landfill Gas to Energy

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Abstract

There is a huge economic potential in the recycling of municipal solid waste (MSW) if it is properly utilized. Especially after the growth of urban areas and population, the storage and elimination of MSW has become a problem of science and technology. One common way to handle the MSW is the landfilling the wastes and utilize the landfill gas (LFG) in some ways such as flaring, power generating, or heating. The municipal solid waste processing, landfilling and utilization of the gas to generate electric power and lower the emissions have been used in developed countries for decades; however it is relatively new in Turkey. The new regulations force municipalities in the Turkey to build landfills to safely store the waste and secure the emission gases. The landfill gas can be utilized to produce energy and heat or if the quality of the gas is high it can be transported to a natural gas pipeline to be used as natural gas. In this paper, an overview of landfill gas to energy plants in the world is presented, and the situation in Turkey is analyzed.

Keywords: Landfill gas to energy , municipal solid waste, methane, emissions, Landfill

Introduction

The storage and elimination of municipal solid waste (MSW) has become a problem of science and technology especially after the growth of urban areas and population. One common way to handle the MSW is the landfilling the wastes and utilize the landfill gas (LFG) in some ways such as flaring, power generating, or heating. The idea behind the methods is same and it is to control the outputs of wastes and limit the environmental impacts. Additionally recycling the energy content of waste to another energy type and generate extra benefit out of it is another objective. The GHG emissions released from the waste increases the pollution level and cause an explosion danger if the methane (CH₄) level increases. The economic, environmental and safety issues related with MSW handling force governments to develop policies for waste processing. However, there is still a considerable amount of difference between developed countries and under-developed or developing countries in terms of MSW handling and landfilling. For example almost no country in Africa continent still has active landfill project whereas almost all European countries have. Global initiatives about the protection of the environment and the increase in energy demand force all countries to consider building the landfill projects. The collected LFG can be flared to generate heat for the boilers, space heating, cooling or co-firing. The higher quality of LFG can be utilized and transported to natural gas network to be used as fuel. It is also possible to use LFG in chemical manufacturing industry and soil remediation. When it is economical, the preferred option of LFG usage is to utilize the collected gas to generate electric power.

(Jaramillo and Matthews, 2005) present a work on the net private and social benefits of LFG to energy projects in US. They do a background analysis, technology overview, economic analysis and present case studies which LFG to energy project planners can use directly to evaluate the po-

tential and feasibility of a particular landfill location. (Themelis and Ulloa, 2007) provide an overview of CH₄ generation process in landfills and then show a good overview of LFG utilization in US states. It is estimated that 13% of greenhouse gas emissions (GHG) in the world are generated from solid waste and US has landfills to utilize to lower the emissions. (Hao et al., 2008) show the LFG utilization in the world along with available technologies and total energy and environmental benefits can be gained when the LFG to energy option is used. They analyze the landfills in Hong Kong and do an economic feasibility analysis for the case studies particularly to analyze the feasibility of trigeneration technology. (Willumsen, 2003) analyzes the LFG to energy plants in the world showing the number of plants in each country and generating capacity. (Qin et al., 2001) discuss the details of fundamental and environmental aspects of LFG to energy process. They analyze the effect of gas mixture on burn efficiency and emission outputs. (Bove and Lunghi, 2006) analyze the traditional and innovative technologies that are used in LFG based energy generation. They first show the LFG generation phases and compare the available technologies that can be used for power generation and then present an economic analysis based comparison for case studies. (Thompson et al., 2008) aim to determine targets and strategies to reduce GHG emissions from landfills by modeling LFG generation process. (Balat, 2007) provides an overview of biofuels and policies in European union showing the sources and distribution of each country. (Kaygusuz and Turker, 2002) present a work for the biomass energy potential of Turkey. (EPA, 2011) provide a good database for LFG generation models and technologies. A spreadsheet based LFG generation estimation tool called landgem is provided along with different LFG generation models for China, Colombia, Ecuador, Ukraine, Mexico, Philippines and Thailand. (Shin et al, 2005) do a scenario analysis for the utilization of LFG to energy in South Korea considering other fuel re-

sources and possible growth scenarios. (Ediger and Kentel, 1999) present an evaluation study for the renewable energy sources in Turkey.

The research about the utilization of MSW and LFG in Turkey is limited in literature. A LFG generation model that is developed for Turkey and a research for the potential of LFG to energy plants and its effect of GHG reduction should be analyzed. The objective of this research is to evaluate the current status of Turkey and compare the status with other countries.

I. LFG to Energy Generation Technology

The first step should be to determine if the CH₄ gas generation in landfill site is sufficient to support a power plant. The possible screening criteria might include minimum MSW amount, depth, annual precipitation, the close date of the landfill, and waste that can be provided to support the landfill. If the landfill passes the first screening process, the next step should be to estimate the gas flow per year that will show the amount of power that can be generated. Landgem is one of the option that can be used at this step (EPA,2011).

The municipal solid waste is collected and the landfill area is closed to additional waste placement. LFG generation may begin as soon as the waste decompose begins and the gas can be collected for the utilization. The typical way to collect the gas is to embed vertical wells to the waste area to collect the gas outputs from the decomposed waste. The wells are connected to a lateral piping system which pumps gas to a central manifold for further processing. Horizontal piping that is used especially for deeper landfills is another option for gas collection (Table 1).

It is also common to use a mix of vertical and horizontal piping for landfills. The content of the produced LFG varies and depends on the waste composition. However, typical LFG contents can be summarized as in Table 1 (Hao et al., 2008; Bove and Lunghi, 2006; Themelis and Ulloa, 2007).

Almost 95% of LFG consists of CH₄ and CO₂ which are accepted as harmful for the environment if not prevented. The global warming potential of CH₄ is 23 times higher than that of CO₂ which increases the importance of CH₄ capture. The released CH₄ and CO₂ have potential of harming the vegetations and causing undesired odors. Besides when the CH₄ concentration in air reaches 5-15%, an explosive mixture is formed that causes an unsafe condition for the public (Hao et al., 2008; EIA, 2011).

In a LFG to energy system, the LFG collection system is connected to a power generator that typically uses gas as the energy resource. The common electricity generation technologies can be classified as reciprocating internal combustion engine (RICE), gas turbine (GT), steam turbine (ST), stirling cycle engine, and fuel cells. The newly developed combined heat and power (CHP) systems are also able to produce both heat and electrical power. Table-2 shows the technologic and economic characteristics of different power generation technologies from LFG ((Bove and Lunghi, 2006; Hao et al., 2008; EPRI, 2002) (Table 2).

%70 of LFG to energy projects employs RICE technology as it has higher efficiency rate, with lower cost, and relatively higher emission rate. Although the RICE is more suitable for small-sized generation plants, it is also possible to use multiple generators together to get a higher generation capacity. The gas turbines are usually preferred for large projects and stirling engines for much smaller landfills which often times might be the case (EPA, 2011). The GHG

outputs of the landfills are decreased if proper LFG control technologies are used. The 60-90% of the CH₄ that is generated in a landfill will be captured depend on the design and effectiveness of the system. This method directly reduces the GHG emissions as the captured CH₄ is burned to produce electricity or heat. On the other hand, the energy that is gained from the LFG displaces fossil fuels that are needed to generate the same amount of energy. Hence, the GHG outputs from such fuels will be saved indirectly.

The LFG generation process can be summarized in 5 phases. After the waste is closed, the first phase is aerobic decomposition in which the waste is decomposed and digested with the air. This period can take one year and less CH₄ is generated. The second phase is anaerobic-acidogenic phase in which CO₂ generation is increasing and energy release rate is low due to the anaerobic conditions. In the third phase the energy release increases as the CH₄ generation increases due to the oxidation of acids and alcohols. In methanogenesis phase, products are converted to CH₄ and CO₂ of which the amount depends on the waste content. This is the longest phase and much energy is gained during this phase. In the last step which is called maturation the gas and energy generation decrease.

II. LFG to energy in Turkey and world

The LFG generation depends on the amount of landfilled waste, the mixture of the waste, and the physical structure of the environment where the waste is disposed. In USA, 250 million ton of MSW were produced in 2008 and 54% of the waste was landfilled. Each million ton of waste is able to produce roughly 4465000 (m³) LFG each year for up to 30 years after landfilled and roughly 284 MWh/year of power can be generated using the LFG with various technologies. There are more than 500 LFG energy projects currently operating in US of which 354 of them generate electricity and remaining projects provide heat and pipeline gas. It is estimated that 13000 GWh/yr electricity is generated and 100 billion cf of LFG is produced for heating and pipelines (Table 3).

In Europe on the other hand, the LFG projects are widely used for waste disposal. Germany, UK and Italy are three countries with largest number of LFG to energy plants respectively. Table 3 shows the distribution of LFG to energy plants in the world (Willumsen, 2003; Hao et al., 2008; EPDK, 2011).

It is shown that the utilization of LFG is increasing as the population density and development level increases. The utilization of LFG in Turkey is new and the efforts have begun after 2000. The explosions of waste disposal sites in 90's, the environmental regulations and the efforts to integrate to European Union have forced Turkey to take new precautions for the handling of wastes. The new legislations which came to play in 2005 about the processing of MSW brought regulations for municipalities to build landfills for the disposal of the MSW. Furthermore minimum price and purchase guarantee are provided for the electricity produced from LFG. As a result, new plants were build and municipalities are planning new facilities. Table 4 shows the current LFG plants in Turkey (EPDK, 2011) (Table 4).

The flaring of LFG in landfills reduces the GHG in MSW and hence decreases GHG contribution to total emissions. Figure 1 shows the share of waste based GHG emissions on total emissions both in Turkey and 27 European countries (EC, 2011).

Table 1: Typical components of a LFG

Constituent gas	Average concentration
Methane (CH ₄)	50%
Carbon dioxide (CO ₂)	45%
Nitrogen (N ₂)	5%
Oxygen (O ₂)	<1%
Hydrogen sulfide (H ₂ S)	21 ppmv
Halides	132 ppmv
Non-CH ₄ organic compounds	2700 ppmv

Table 2: Typical components of a LFG

Characteristics	RICE	Gas turbine	Stirling engine	Steam turbine	Fuel cell
Applicable size range (kW)	500-25000	500-25000	1-200	25-25000	5-2000
5-year project cost (\$/Kw)	300-1300	700-900	2000-36000	800-1000	2000-3000
Electrical efficiency (%)	25-45	25-40	38.5	30-42	45-50
Maintenance cost (\$/Kw)	0.007-0.015	0.002-0.008	0.005-0.01	0.004	0.005-0.015
NO _x emission (g/KWh)	2.72	0.73	0.15	0.95	Trace
CO emission (g/KWh)	2.72	0.91	0.75	1.63	0.68

Table 3: LFG to energy projects in the world

Country	Plants	Capacity (MW)	Country	Plants	Capacity (MW)
Australia	18	76	Latvia	1	5
Austria	15	22	Mexico	1	7
Brasil	7	11	Norway	30	28
Canada	15	106	Poland	19	18
Check Republic	6	7	Portugal	1	2
China	4	4	South Africa	4	4
Denmark	23	22	Spain	14	36
Finland	14	12	Sweden	61	55
France	26	30	Switzerland	7	7
Germany	182	270	Taiwan	4	20
Greece	1	13	Turkey	6	39
Holland	47	62	UK	151	320
Hongkong	8	32	USA	354	2378
Italy	135	362	Total:	1157	3694
Korea	3	16			

Table 4: LFG to energy projects in Turkey

Name of the LFG plant	City	Under construction (MW)	Active (MW)	Total (MW)	Year begin	Operating period
ICKAMD	Istanbul	0	4.02	4.02	2003	10
Odayeri	Istanbul	0	13.86	13.86	2009	24
Komurcuoda	Istanbul	1.76	7.56	9.32	2009	23
ITC-KA	Ankara	0	11.3	11.3	2006	49
EEAS	Istanbul	5.23	0.98	6.218	2004	49
Aksa	Bursa	0	1.39	1.39	2003	20
CEV Energy	Gaziantep	2.3	0	2.3	2011	49
Total		9.29	39.11	48.40		



Figure 1: Percentage of waste based GHG emissions in Turkey and Europe

Notice that when the LFG plants increase, the contribution of waste to emissions decreases. There is a huge difference between Turkey and Europe and the way to decrease the gap is to build LFG plants to flare the LFG

Conclusion

It is important to utilize the energy sources efficiently in an environment where the demand for energy, the cost of fossil based power generation and the amount of emissions are increasing. The investment for renewable energy sources such as wind and hydro accelerated as a response to the increasing energy demand. The developed countries increase their investments on the efficient storing of MSW in landfills and energy or heat generation from LFG. In this paper, an overview of LFG usage in the world is presented, and then the situation in Turkey is explained. It is estimated that if the current projects are completed, the emissions can be decreased to a level that is very close to European standards and MSW can be utilized to generate more electric power.

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Electricity Market Deregulation, Market Design and Trading in Turkish Power Market

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Abstract

Deregulation and new market design have been two important issues in developed countries and in their energy markets. Developing countries have also tried to implement the new market design and deregulated their energy markets. Turkey, as a developing country, followed the same path with an aim of benefiting the experience of successful power markets. Some of the state owned entities are privatized and the private industry is encouraged to have their own power generation power plants. The auction mechanism and competition determine the equilibrium price and power quantity for each hour. As a result it is expected to have lower prices as the competition apply pressure on the companies. The deregulation is a long process and the implementation of the market design brings new problems all the time. In this research, the story of deregulation in Turkey will be discussed. The stages of the development of the power industry will be presented first then steps of the deregulation will be analyzed. Then the energy trading options and the share of each option in total energy trading is presented.

Keywords: Deregulation, Turkish Power market, Energy trading, Bidding

Introduction

One of the main market competition structures used in newly deregulated markets is the poolco (Ilic, 1998). A poolco market is a central auction that brings regional buyers and sellers together. All competitive power generators (supply) and buyers (demand) are required to submit blocks of energy quantities and corresponding prices they are willing to receive from or pay into the pool. The prices and quantities submitted by the market participants are binding obligations as they require financial commitments to the market. Once all the supply and demand bids have been submitted and the bidding period ends, an Independent System Operator (ISO) ranks these quantity-price offers based on the least-cost for selling bids and the highest price for buying bids. The ISO then matches the selling bids with buying offers such that the highest offers are matched with the lowest selling bids. The market clearing price (MCP) occurs at the point where the demand is met. All sellers whose bids are below the MCP are paid MCP which is called uniform pricing. It is also possible for a company to get its offer price paid. This strategy is rare and called pay-as-bid strategy. The former strategy is preferred by market authorities to lower market prices.

The electricity supply industry has unique features such as a limited number of producers, large investment size (which makes it more difficult to enter the market), transmission constraints (which are obstacles for consumers to effectively reach many generators), and transmission losses (which discourage consumers from purchasing power from distant suppliers) (Wen, 2011). These features force market players to be more aggressive with their bidding strategies, and it also makes them construct models that carefully take into account their constraints and the uncertainty of the market price.

The deregulated electricity market usually has a few gen-

erators (market suppliers) that tend to dominate the market, making the market seem more similar to an oligopoly.

In such oligopolistic markets, an individual generator can exercise market power and manipulate the market price via its strategic bidding behavior (Liu, 2006). On the other hand, a price taker unit does not have the power to change the market price and must be willing to accept the market price.

The bidding mechanism is actively used in most deregulated power markets in developed countries. The auction mechanism has been successfully implemented in power markets such as in the USA, Canada, West Europe, Japan, and Hong Kong. The uniform pricing scheme is the preferred pricing method. However, the time period for which the bid is valid varies. The liberalization of the electricity industry is relatively new in the Middle East, Balkans, Russia and Caucasus. The developing economies and the largest countries in region, which are Russia, Turkey and Iran, began privatization roughly in the same time period. Russia started to liberalize electricity prices in 2007 and the plan was to fully liberalize the market by 2011 (Gore,2012). Iran is also in the process of liberalizing the electricity industry, and has begun to transfer state-owned plants to private owners. The market structure is different in each of these countries, and all of them have attained some level of deregulation (Shahri, 2011). Due to the fact that Iraq and Syria have been plagued by war and a unstable political environment for the past few years, the electricity industry is still state-owned and controlled but they have welcomed private investors for power plant investments. Greece and Bulgaria, which are members of European union, have undergone privatization and deregulation of electricity as in many European states, and they have benefited from this experience. In the many smaller countries in the region, such as Georgia, Armenia, Macedonia, Albania and Bosnia (Al-Sunaidy,2006), the political and economical conditions are not yet conducive for

privatization and deregulation of the markets.

The Turkish power market began to be deregulated in 2001, and daily bidding was implemented in 2011. Each day ISO announces the hourly power demand for the next day until 11:30. After the bilateral transactions between power sellers and consumers are deducted, the remaining amount of power is provided from the market. Each power producer submits an offer to get a chunk from this demand. A company can submit an offer for each hour of the next day which is called hourly bidding. Alternatively, a company can submit an offer for the whole day and this offer would be accepted whenever the bid price is less than the power price.

I. Turkish electricity industry

Electricity market activities, which are determined by Electricity Market Rule, are generation, transmission, distribution, wholesale trade, retail sale, retail trade service, commerce, importation and exportation. Transmission activities are performed by Turkish Electricity Transmission Incorporation. Moreover, Turkish Electricity Transmission Incorporation provides load distribution, frequency control, increase of needed capacity, real time monitorization of system safety.

Distribution activities are performed by companies

which have the license of distribution. There are 21 regions of distributions in Turkey. Except Kayseri, 20 of them were dependant to Turkish Electricity Distribution Incorporation and some of them were privatized. Generation of electricity in Turkey is performed by EÜAŞ(generation) and its companies, generation companies that belong to private sector. Sector Reform of Electric Energy and Corporatization Strategy Certificate, which was announced by High Planning Council (YPK) in 17 March 2004, foresees corporatization according to "prevention of market dominance with production facilities and financially strong companies are principal criteria". In strategy certificate, it is determined that corporatization of portfolio production groups would be completed until September 30, 2005. But corporatizations process of those portfolio production groups has not been completed yet. Electricity commerce in Turkish electricity market is performed within bilateral agreements or balancing and conciliation market.

There is 57058 MW installed power capacity in Turkey of which 24771 MW(%43.42) belongs to state and 32284 MW(%56.58) belongs to private companies. As a result of the deregulation and market privatization, the share of the state decreased and the share of the private industry increased. Figure 1 and 2 show the historical change in the share of the total installed capacity and the percentage ratio respectively.

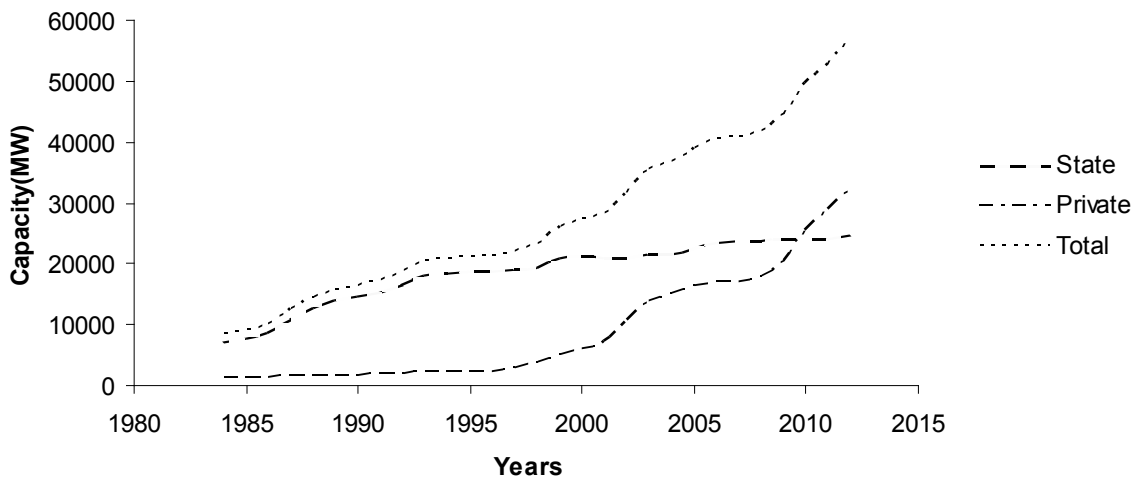


Figure 1: Total installed capacity by private and state

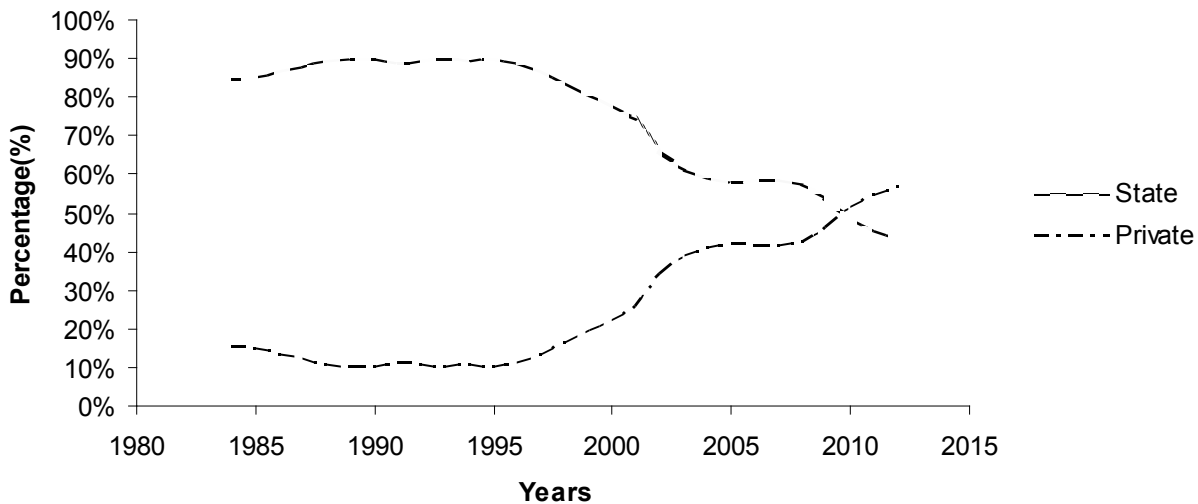


Figure 2: Total installed capacity by private and state

II. Deregulation in the Turkish power market

State directed regulations for the restructuring of electricity markets started in 2001 with the founding of the Energy Market Regulatory Authority (EMRA). Law 4628 aims for the deregulation of the electricity industry and the privatization of assets that used to belong to the state. According to this law, the electricity industry is to be divided into smaller and manageable pieces in which generation, transmission and distribution are handled by different companies. The EMRA is the main authority that manages this process and oversees all related activities. The monopoly of state-owned resources is divided up into different companies such as EUAS (generation), TETAS (trading), TEDAS (distribution) and TEIAS (transmission). The main objective is to increase efficiency and provide a competitive market environment which can lower the cost of electricity and increase the reliability of power supply. The first step of the market design, which involves financial transactions in a deregulated electricity market, started on December 1, 2003. The power supplier and large number of consumers were encouraged to participate and invest in power markets at this time. The second step of the market design was defined as balance and conciliation, and it was launched on August 1, 2006. Participants carried out bidding and bilateral contracts in this step until the end of 2009. After this, participants started to submit monthly capacity and bids along with their schedules and a final market environment became active at the end of 2011. Currently, a day-ahead planning and a day-ahead market structure are employed in which the auction mechanism determines the MCP.

On a typical day, the estimated day-ahead demand for each hour of the next day is announced by the ISO. The offers from the demand side (buyers) are also considered during this process. Each participant submits the amount of power they will supply, using bilateral contracts. These contracts are agreements between two parties that allow each participant to determine the power delivery conditions and price. The total amount of power that will be provided with the bilateral contracts is determined and deducted from the total estimated demand. Figure 3 shows the estimated demand and amount of power that was provided with bilateral contracts on July 17, 2012. The remaining amount should be supplied from competitive and reliable offers in the market. Hence, this is supportive of open competition (EPDK, 2011)

The day-ahead process is divided into two different en-

titles: the day-ahead planning and the day-ahead market. It is obligatory to submit the available capacity to the day-ahead planning so that the ISO can observe the status of resources. On the other hand, it is not obligatory to join to the day-ahead market and submit an offer.

The market participants include the wholesale supplier, power plants, independent generation units and state resources that have the available capacity to submit sell bids to obtain power from day-ahead demand. In day-ahead planning, the main objective is to balance the supply and demand. On the other hand, in a day-ahead market, the objective of each participant is to maximize its portfolio. The planning allows the system operator to balance generation with buy requests submitted by market participants without considering the offer prices. In a day-ahead market, suppliers and buyers can balance their portfolio based on price levels. It is possible to submit hourly and block offers each day in both. Table 1 shows the order of activities in a day-ahead market on a typical day.

Table 1: Activities in a day-ahead market

Daily activities	Time
Submit the bilateral contracts (before day-ahead)	16:00
Submit the available capacity	09:30
ISO determines the day-ahead demand and constraints	11:30
Submit buy/sell bids	11:30
Verify the bids	12:00
ISO determines the hourly day-ahead market prices and dispatched resources	13:00
Submit the objections	13:30
ISO announces the final results	14:00
The operational day begins	00:00

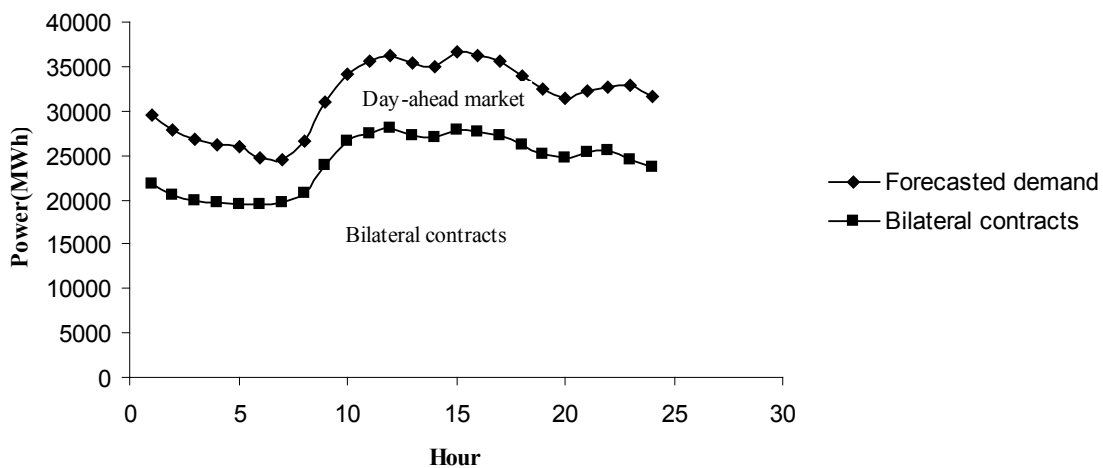


Figure 3: Estimated power demand and bilateral contracts, July 13, 2012

The bilateral contracts should be submitted before the day-ahead planning begins. The contracts are submitted until 16:00 on the day before the day-ahead. Each participant is required to submit the available capacity and status of their resources by 9:30. The ISO estimates the day-ahead demand for each hour of the next day based on the temperature, submitted buy offers, bilateral contracts, and historical data. It is expected that there will be deviations from the estimated demand, as the demand and power consumption have stochastic and unpredictable features. The ISO also considers the transmission and outage constraints that affects dispatch decisions. Once the amount of power provided from the bilateral contracts is deducted, that amount of power must be supplied from the market for each hour. Each market participant submits buy and sell bids to the market at 11:30 and verifies the bids by 12:00 noon. The bids can be block bids or hourly bids that consist of power price and corresponding power quantity. ISO runs a security constrained cost minimization program to optimize the schedule of the resources. It is essential to order the sell offers from cheapest to highest and order the buy offers from highest to cheapest. Then the market clearing price for each

hour is determined based on the offers and constraints, and then announced by the operator. Each market participant is allowed to submit an objection within a given time limit. The final results are released after objections are resolved or the program is updated based on the requests. The program starts operation at midnight and runs for 24 hours. It is worth noting that usually 10-15% of power is supplied from the day-ahead market. Figure 4 shows the structure of the Turkish electricity market and Figure 4 shows the ratio of each option.

Almost 80-85% of demand is still supplied using bilateral contracts. The idea of deregulation and its mechanism are not widely known or understood, as it is still under development and is relatively new. Power companies and large consumers still prefer to have bilateral contracts as the risk is low and it does not require dealing with a market mechanism. The contracts are usually prepared months or years ago before day-ahead activities. In this system, the day-ahead market and real-time balance should be considered together. The schedule for the day-ahead market is determined 10 hours before the actual day. On the other

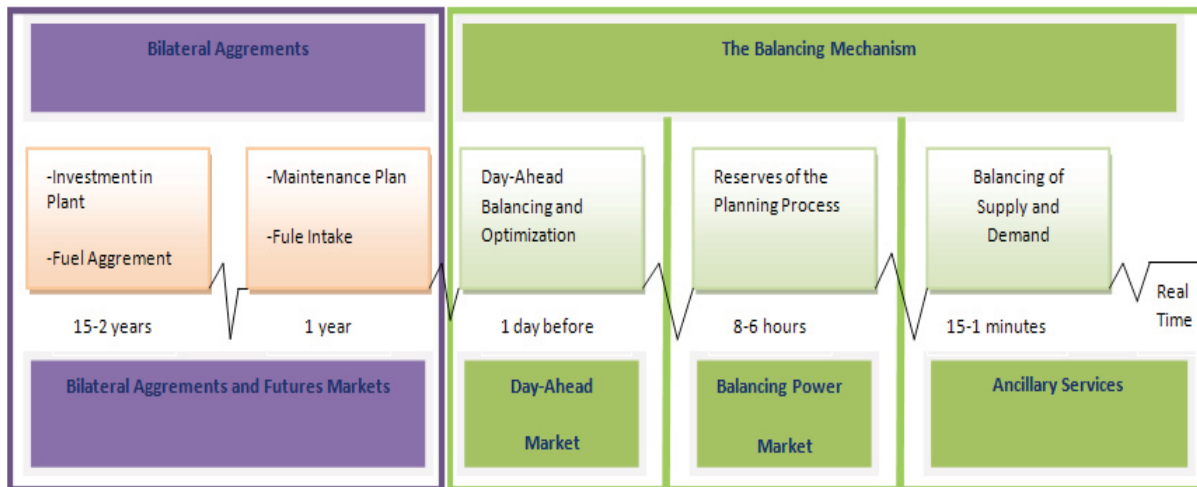


Figure 4: Market Design for Turkish Electricity industry

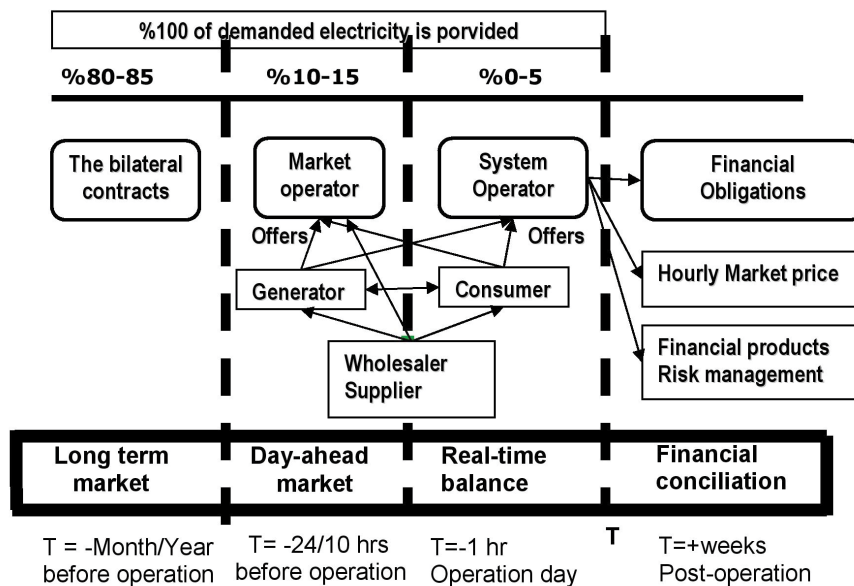


Figure 4: Turkish power market after deregulation

hand, the real time balance or real-time market is used to balance deviations from the estimated demand or planned schedule. 0-5% of electricity is handled in real time balance in which hourly decisions are effective. Generators, wholesale suppliers and consumers are allowed to submit bids to the day-ahead market or real-time balance. A supplier can submit in a day-ahead market or have reserves to be used in a real time balance. This reserve should also be offered to the real time market and hence the power that is not supplied through bilateral contracts and day-ahead market can be supplied in real time balance. The system operator determines the real time market price that will be used to calculate the payments for each resource in the real-time market. The system operator calculates the revenue or cost of each market participant based on the day-ahead market price, real time price and amount of power supplied from each resource. This process is called financial conciliation, in which each party is billed for the consumption or rewarded for the supply of power. The derivative market in Turkey began operations in 2005, and the operations for electricity options started in November 2011, and as such is relatively new. Financial products such as futures, forwards and options are generated and financial transactions are completed in a financial conciliation stage. This is usually weeks or months after the operation day.

Modeling of Imperfect Information Among Competitive Generators. *IEEE Transactions on Power Systems*, 16(1),15-21.

Conclusion

The demand for energy in Turkey is increasing to an extent almost parallel to the economic growth of the country. The country has an average economic growth of 7%, and this entails increasing industrial production, new investments, and a growing population, all of which drive up the demand for energy. The available generation capacity is dominated by coal-based resources and natural gas-fired plants. A nuclear power plant project has been proposed but it is still in the development stage, and is expected to be operational in 2015. As a result, the available capacity should be used efficiently through the proper planning and scheduling of power resources. The objective of deregulation in Turkish market is to successfully reach this point by providing a competitive market environment.

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Georgia: Opportunities and Threats of Economic Growth and SMEs

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Abstract

Based on statistical analysis of key macroeconomic fundamentals, the paper focuses on Georgian model of economic growth which has been based on two key drivers – foreign direct investment (FDI) and banking/financial sector development. Global financial crisis of 2007-2008 and war with Russia have created new opportunities and threats of Georgian economy. Pre-crisis drivers of growth remain constrained and revision of a model of economic growth and country's strategy is urgently demanded. Growth of small and medium enterprises (SMEs) supposed to be a new source of sustainable economic growth in Georgia because it increases private investments which complement FDI.

Keywords: economic growth, SME, opportunities, threats, Georgia

Introduction

Nowadays SWOT (strength – weakness – opportunities - threats) and PESTEL (political, economical, social, technological, legal and environmental factors) analysis are important practical tools or instruments of market analysis (Strategic Analysis, 2012; Strategic, PESTEL, 2012; SWOT, PESTEL, 2012), as well as they are widely implied for evaluation of internal and external environment of domestic economy (Bulgarian; 2011) and a particular sector of an economy (eGovernment; 2012). Analysis of opportunities and threats of economic growth is basic for strategic planning and forecasting of country's economic growth.

In this paper opportunities are considered as good chances and openings available for growth. These are environmental and external, mostly global. Threats are extremely wielded challenges, creating by external global factors.

The accelerating globalization creates both unprecedented challenges and opportunities for national economies in terms of innovation and development of bilateral, regional, and global cooperation. "Bilaterally, countries are innovating through partnerships that bundle investment, trade, technology, concessional financ and technical assistance. Regionally, trade and monetary arrangements are proliferating in all developing regions, and there are pioneering efforts to deliver regional public goods. (Human Development, 2013; p.56). Globally, countries participate in international trade (goods and services flows), FDI (capital flows), labor flows, financial capital exchange, etc. As a result, over the past two decades trade barriers have been dismantled and most national economies have become more open and more integrated with the world economy.

Thus, in global times it is important to have a specific national long-run strategy of economic development and economic growth. Valuable is experience of successful countries. For instance, since 2008 Chinese, Indian and Turkish

apparel firms have shifted production from shrinking global markets to expanding domestic markets. Greater reliance on domestic markets boosts their economies growth. Different solution is for smaller economies. They can enter world and/or regional markets with niche products. This strategy is available for any business no matter the size.

The objective of the article is to identify the most important opportunities and threats of economic growth in Georgia in order to make a strategic decision on the drivers of country's long-run strategy of economic growth and development. SMEs are proposed to be a new driver or key to sustainable economic growth as soon as they provide additional internal investment to the economy.

The study applies the analysis of key macroeconomic fundamentals provided by both National Statistics Office of Georgia and by international organizations.

I. Georgian economy macroeconomic landscape: Opportunities and threats

The World Bank sent the clear message to the government of Georgia, "The central challenges today for the government of Georgia is to find sources of long-run economic growth, particular through private sector development" (Fostering, 2013; p.15). To find these sources of long-run economic growth, analysis of last economic trends is needed.

Table 1 presents Georgian statistics on key macroeconomic fundamentals. The observation is made for the last six years or the time of the beginning of global financial crisis to the present.

Table 1: Georgian economy – key macroeconomic fundamentals

	2007	2008	2009	2010	2011	2012
Real GDP growth rate (%)	12,3	2,3	-3,8	6,3	7,2	6,2
GDP per capita (at current prices), USD	2314,6	2921,1	2455,2	2623,0	3230,7	3523,4
Average monthly income per capita, GEL	115,2	147,2	154,5	178,6	195,2	218,4
Exports, total as % of GDP	31,3	28,8	29,8	34,9	36,5	38,2
Imports, total as % of GDP	58,2	58,6	48,9	52,7	55,5	57,9
Trade balance as % of GDP	-39,1	-37,6	-31,3	-30,8	-33,7	-34,5
Export / Import Ratio	23,8	23,7	25,2	31,9	31,0	30,3
State external debt to GDP, total as % of GDP	18,2	20,0	34,0	36,3	31,2	30,5
State budget surplus/deficit, total as % of GDP	0,8	-1,9	-6,7	-4,4	-1,2	-0,5
FDI, million USD	215,0	1 564,00	658,4	814,5	1117,2	911,6
FDI per capita, USD	1,218,8	1,543,3	1,697,2	1,876,9	2,131,5	2,324,3
FDI, total as % of GDP	9,3	7,5	3,8	4,4	4,7	3,5
Banking portfolio investment (net), million USD		109	8	-10	89	223
Loans received (net), million USD		596	-243	18	212	-87
Growth of number of tourists, %	38	23	16	35	39	57
Inflation rate (CPI), %	109,2	110,0	101,7	107,1	108,5	99,1
Unemployment rate, %	13,3	16,5	16,9	16,3	15,1	15,0
Exchange rate, USD/GEL average of the same period	1,6703	1,4902	1,6705	1,7826	1,6860	1,6513

Source: Compiled and calculated by the authors; source of data: Geostat, Bulletin of Monetary and Banking Statistics (2013), Bulletin of Monetary and Banking Statistics (2012), Bulletin of Monetary and Banking Statistics (2011), Bulletin of Monetary and Banking Statistics (2010), Balance of payment of Georgia (2012). National Bank of Georgia. Balance of payment of Georgia (2011). National Bank of Georgia. Balance of payment of Georgia (2012), National Bank of Georgia. Annual Report (2011), National Bank of Georgia. Annual Report (2012), Georgian National Tourism administration

So, in observed period from the 2007 through 2008 the Georgian economy was a post-Soviet success story with double digit growth rates (GDP growth rate 12.3% in average) and rocketing FDI inflow (9.4% in average), flourishing banking and financial sectors. Successful FDI and financial/banking sectors policies were the catalyst of economic growth in the country.

From the end of 2008 and during 2009 as global financial crisis/global recession waves reached the developing world and because the August war with Russia, the situation changed in Georgia. Thanks to international aid Georgian

economy did not suffer recession in the ways as developed economies did. The risks facing Georgia were second tier economic shock waves (The Caucasus, 2009; p.21). In particular, the lack of financing available from international credit markets caused FDI flows to shrink – about halved during 2009-2010; the recession and lower demand in international markets contracted Georgian exports, decreased imports and increased trade deficit. Banking and financial sectors which are strongly linked to international financial markets due to the fact that most Georgian banks are foreign banks (for example, in 2013 from 21 Georgian banks 20 were foreign controlled (Bulletin, 2013; p.25) were negatively affected as well. High government debt and budget deficits discouraged many infrastructure projects. Thus, when direct effects of global financial crisis or global recession were not much destroying, indirect effects created much more challenges for Georgian economy.

In 2010 -2011 Georgian economy experienced recovery with FDI and GDP growth rates 6.3% and 7.2%, respectively (Geostat). But from macroeconomic point of view, that was a return to the old model of economic growth, based on old pre-crisis drivers/ factors of growth - FDI and banking/ financial sector. Nowadays these main drivers of growth remain constrained. For these reasons Georgia has been losing its attractiveness for international business communities and as a result, sources of economic growth.

Economists use many indices to evaluate countries attractiveness, for instance, for investors. The Global Venture Capital and Private Equity (VCPE) Country Attractiveness Index measures the attractiveness of a country by the six key drivers (Groh, Liechtenstein, Lieser, 2011; p.21):

1. Economic activity
2. Depth of the capital market
3. Taxation
4. Investor protection and corporate governance
5. Human and social environment
6. Entrepreneurial culture and deal opportunities

According to this index, in 2011 Georgia occupied 69 place among 80 countries, in 2012 - 82 place and in 2013 – 72 place (Groh, Liechtenstein, Lieser, 2011; 2012; 2013). Deterioration of country ranking position happened because of deterioration of some of its components, e.g. Investor protection and corporate governance, Entrepreneurial culture and deal opportunities, etc. But government policy has been still focused on creation of attractive to foreign investors environment. This trend was summarized in Georgia's global ranking.

Table 2: Global rankings

	Ease of Doing Business	Index of economic freedom
2014	8	22
2013	9	21
2012	16	34
2008	18	39

Source: *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises (2013)*; *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises (2012)*; *Doing Business 2012: Doing business in a more transparent world (2011)*. *Index of Economic Freedom: Promoting Economic Opportunity and Prosperity (2013)*. *Index of Economic Freedom (2014)*. *Index of Economic Freedom (2008)*.

Evaluation of “quality of economic growth” means analysis of innovative activities in Georgia that is based on surveys. The latest international survey was conducted by the World Bank, The 2012 World Bank Entrepreneurship Survey, that covers 300 firms between 2 and 10 years old. Evaluating “introducing new products or services in the previous three years” (product innovation), only 7 percent of Georgian respondents indicated that they had. No products or services were new to the world markets in Georgian sample, and around 50 percent products or services were new to the market in Georgian sample (Fostering, 2013; p.37). For Georgian enterprises the most common innovation was the use of new methods of production, and the least common were innovations in logistics, supply chain, delivery or distribution of inputs, products, or services.

Because the vast majority of the goods and services produced by the Georgian firms were the same or modification of existing products, there was no innovation in terms of new market creation. More than 90 percent of surveyed firms in Georgia sell to local or regional markets; and they sell 75 percent of their total turnover on local or regional markets. Only 11 percent of businesses sell internationally but about half of their total products (Fostering, 2013; p.30). More than 90 percent of Georgian firms surveyed had no research and development (R&D) expenditures in the previous five years and did not plan them in the next years. In contrast, in Armenia 50 percent of the firms surveyed conducted some R&D in the previous five years and 55 percent have planned for the next two years (Fostering, 2013; p.28).

Labor statistics depicts quite stable but paradoxical situation in the labor market in terms of employment and unemployment rate. Firstly, there is a gap between statistical data and real situation in the labor market. Actual unemployment exceeds statistical because it includes all types of “hidden” unemployment and it has been increasing (Papiashvili, 2013). Secondly, at least from 2006 (and there is no reason to expect that the situation was different before) the share of self-employed was higher than hired or more than a half of all employed were self-employed (Geostat). In other words, despite the successful FDI policy and impressive GDP growth in 2006-2007 and the 2010-2011 recovery, there is still a limited pool of job opportunities available. This statistical phenomenon is usually called as “paradox of growth” (Papiashvili, 2013).

That is self-evident that quality of labor is a key factor of economic growth and, in turn, quality of labor is formed by education system in the country. Despite the serious reform in education (Papiashvili, Doghonaдзе, 2009; Papiashvili, 2010), a skills gap between the labor force and the needs of real economy, still exists in Georgia (Fostering, 2012; p. 58). Respondents of numerous surveys prove this fact. Particular, *The Global Competitiveness Report 2010–2011* indicates “an inadequately educated workforce” as the most problematic factors for doing business in Georgia with 19.9% of all respondents’ answers (The Global Competitiveness Report 2010–2011, p. 162). In the next year report this factor was ranked on the second place with 13.4% (The Global Competitiveness Report 2011–2012, p. 182). Situation did not change in the past 2013. In *The Report* “inadequately educated workforce” is ranked again on the second place with 13.4% (The Global Competitiveness Report 2012–2013, p.174). The last survey of International Financial Corporation shows the similar picture – uneducated workforce was among the most serious problems faced by businesses in Georgia (Georgia Business; 2012). According to *The 2012 World Bank Entrepreneurship Survey* stakeholders cited inadequate skills as a key hindrance to developing local industry (Fostering, 2013, p.58).

Table 3 summarizes the recent opportunities and threats of Georgian economy.

Table 3. Recent opportunities and threats of Georgian economy

Opportunities

- Globalization/integration
- International trade/export oriented strategy
- Attractive tourism destination
- Support of international organizations (IMF, WB, EBRD, etc.)
- Innovation/new technology availability/diffusion
- Country's investment and trade friendly environment

Threats

- ✓ Global financial crisis/ global recession
- ✓ Unstable external and internal economic environment
- ✓ High level of competition in domestic market
- ✓ Dependence of international financial markets
- ✓ Narrow domestic market
- ✓ Low income of population
- ✓ High actual unemployment rate
- ✓ Lack of new technology and innovation
- ✓ Insufficient quality of labor force

Thus, the main pre-crisis drivers of economic growth remain constrained. Due to the fact that recession has not been passed by the world economy and prognosis for the following years is moderate optimistic or rather pessimistic than optimistic, Georgian community, society, government have to think about the changes in national strategy of economic growth. In other words, Georgia needs a new model of economic growth and development to build entrepreneurial/innovative economy.

It worth to note, firstly, the original area from which entrepreneurial activity is born, is SME sector, secondly, 95-96 percent of all registered Georgian enterprises are small and medium size enterprises. It is clear that sustainable economic growth would be achieved in the country only if small and medium enterprises along with large businesses grow.

II. SMEs contribution to economic growth: Current situation

Unfortunately, in Georgia there is still no official definition and statistics on small/ medium enterprises. As the National Statistics Office of Georgia states, until 2002 different criteria

were used for determining the size of enterprises and current classification of large, medium and small enterprises is not in place (GeoStat). The new Tax Code of Georgia which entered into force in 2011, stipulates a new specification of businesses in Georgia as: micro-, small, medium, and large based on workforce and annual turnover output (Tax Code of Georgia; p. 115-117). Commercial banks have their own standards: TBC for example does not differentiate between small and medium and considers SMEs as enterprises with an annual turnover of less than GEL 8 million and liabilities of USD 1.5 million (www.tbcbank.ge)

Table 4 presents the distribution of registered small/medium enterprises by sectors of economic activity.

Table 4: Number of registered SMEs by economic sectors (% of total)

	2009	2010	2011
Agriculture, hunting and fishing	1.3	1.2	1.1
Mining	0.2	0.2	0.2
Manufacturing	5.3	4.8	4.6
Electricity, gas, water supply	0.2	0.1	0.1
Construction	1.9	1.9	1.8
Wholesale, retail trade	80.6	82.0	82.6
Hotels and restaurants	1.7	1.6	1.6
Transport and communication	2.8	2.5	2.4
Real estate, renting	2.6	2.6	2.5
Education	0.4	0.4	0.4
Health and social work	0.8	0.7	0.7
Other community, social and personal service activity	2.3	2.1	2.0
Financial sector	0.0	0.0	0.0
Total:	100.0	100.0	100.0

Source: Compiled by the authors; source of data: Geostat).

The main findings of this brief statistical overview can be summarized in a few key points. As the table shows, the number of enterprises in each economic sectors does not change significantly from year to year. The most numerous sector has been trade, whole sale and retail (more than 80% of all). The next but with significantly lower shares follow manufacturing, real estate and renting, and transport and communication.

Table 5 summarizes SMEs contribution to economy.

Table 5: The share of SMEs , percent

	2008	2009	2010	2011
Registered enterprises	95.6	95.0	95.7	96.0
Turnover	12.3	15.6	16.1	19.9
Output	14.3	18.5	18.4	17.3
Value added	14.6	18.7	19.3	21.8
Employment	37.5	39.6	41.2	43.4

Source: Compiled and calculated by the authors; source of data: Geostat.

Thus, despite SMEs constitute a considerable number of business enterprises in Georgia, an inadequate growing of SMEs quality relevant to SMEs number, should be emphasized specially. In other words, SMEs have constituted an insignificant segment of Georgian economy according to their contribution to the main macroeconomic indicators - turnover, output, value added, national income, and even employment.

This comment goes without surprise because Georgian SMEs are excluded from country's economic growth model. But small business is based on private investment. So, SME development directly causes increase in private investment that would complement FDI. From this point of view, SME/private investment might play a greater role in economic growth. In other words, discussion should be moved beyond the core "SME sector development – private investment – country's economic growth/economic development" because all these three components change in parallel regime as complements. It is not a trade-off between FDI and SME, it is their synergy. Nowadays SMEs are hidden source of economic growth in the country.

Conclusion

External factors such as globalization, create both opportunities and threats of country's economic development and its economic growth. The goal of policy-makers is to transfer threats into opportunities. Based on this fundamental principle, policy approaches taken by various countries and their implications for economic growth and development should be evaluated.

Global financial crisis of 2007-2008 caused the serious changes in growth models. For instance, since 2008 Chinese, Indian and Turkish apparel firms have shifted production from shrinking global markets to expanding domestic markets. As for smaller economies, they can enter world and/or regional markets with niche products. In other words, for small economies like a Georgian one, it means export-oriented strategy, firstly, and, secondly, this strategy might be common for any businesses no matter their size.

In case of Georgia, since the global financial crisis of 2007 the main drivers of economic growth, FDI and banking/financial sector development, have remained constrained. Because Georgia is a low income country with high level of actual unemployment and because Georgian economy

- is a small scope economy,
- has narrow domestic market,

- is weakly integrated into international markets and international trade
- is losing its attractiveness for foreign investors due to unstable economic environment,
- is losing access and availability of FDI and financial resources due to the global recession,

the revision of a model of economic growth or country's strategy and policy is urgently demanded. New model should include a new driver – SME sector which growth and development are based on internal private investment.

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Proliferation of Biological Weapons and the Ways of Legal Restraints

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Abstract

Bioterrorism is defined as the intentional use of micro-organisms to bring about ill effects or death to humans, livestock, or crops. The use of micro-organisms to cause disease is a growing concern for public health officials and agricultural bodies. The history of State sponsored biological weapons programs is much deeper and dangerous than the society is aware. It is a fact that during the twentieth century the leading countries like the United States, the Soviet Union, the United Kingdom, France and Japan developed biological warfare secretly expecting that biological weapons could win wars and devastate enemy innocent civilians with disease. The aim of the research is i, to bring a small historical review on the development of biological programs in different countries, ii, study the cases of bioterrorism, iii, estimate the threat of biological attacks on National Security and seek the ways for the bio defense, iv, seek for the legal ways of producing the biological weapons. The article presents each aspect briefly and discusses the main research problem: **how to prevent the proliferation and use of biological weapons and how to restrain the threat legally.**

Keywords: Bioterrorism, micro-organisms, biological weapons, defense, prevention

Introduction

Biological weapons are one of the main security issues of the century. In recent history due to the main historical events the concept of researching the case has been totally changed. The Soviet and Iraqi biological warfare programs focused a particular attention on the proliferation of these weapons. The catastrophic Al Qaeda terrorist attacks on September 11 in 2001 intensified policies for national security. Later the United States became the victim of biological terrorism when letters filled with a powder of *Bacillus anthracis* were received. Also huge development of the life sciences increase the risk of producing or improving the biological weapons.

The above mentioned facts deal us to seek the answer for the main questions concerning the proliferation of biological warfare:

- What is the main essence of the danger?
- What are the logical and strategic aims for proliferation of biological weapons?
- Will the traditional security strategies like deterrence and arms control be effective in case of bioattacks?

The secrecy that surrounded biological weapons programs posed a special danger to people as everyone has right to have all possible and relevant information about the disease transmission in advance not only during the alarm. The fact is that the germ weapons were and are developed and laws and political events cannot give any guarantees against their use. The 1925 Geneva Protocol¹ and the 1972 Biological Weapons convention expressed norms but actually didn't prevent arms building.

Today, the main concern is seeking the legal ways how to prevent the proliferation and use of biological weapons as bioterrorism remains the main threat to national security.

At present about 151 nations are parties to the Biological Weapons Convention (BWC) and 132 nations are parties to The Geneva Protocol. Though, "toxins, equipment and means of delivery" are not under the control and the environment or population is not protected. We are living in a century of violence, wars, regional conflicts, violation of human rights and the fight of superpowers for world leadership. Despite the growing awareness of the threat posed by biological weapons, the history of biological warfare remains unfamiliar for the public, academia and government.

Compared to nuclear weapons, biological weapons have never been used openly and have always been produced and developed under the strict secrecy. Though after the Soviet and Iraqi BW programs, continued advances in biotechnology and biochemistry increased. Biological weapons are called "the poor man's atomic bomb", so the main essence of danger is that they can be used to conduct surprise attack and in this attack the attacker has an advantage over a defender. Another threat is a dilemma between the legitimate users of biotechnology and those who act secretly. As for the logical and strategic aims for proliferation, it should be pointed out, that several steps will be suggested and discussed in the article:

- strengthen defenses against biological weapons,
- renew the BW convention,
- reinforce the norms against the development and use of these weapons.

¹ The 1925 Geneva Protocol prohibits the use of chemical and biological weapons in war. The Protocol was drawn up and signed at a conference which was held in Geneva under the auspices of the League of Nations from 4 May to 17 June 1925, and it entered into force on 8 February 1928

In previous studies on the history and capabilities of biological weapons began to pay increased attention on the threat posed by these weapons. Some scholars attempted apply theories concerning the security studies (Christopher GW, Cieslak J...Biological warfare. A historical perspective) and focused on broader international security implications. Also the question of potential lethality of biological weapons have been actual in recent years, terrorists or states use these weapons on indefensible civilian populations, so public awareness can reduce the risks of biological weapons catastrophe. (Jeann Guillemin, Biological weapons, Columbia University press, 2005)

A competing political vision assumes the same interest in almost all states in reducing the threat of weapons of mass destruction. To benefits of biometrical technology should be shared between wealthy nations those in economic need. This can cause the interdiction of biological weapons. (Daniel Feakes, Global Civil Society and Biological and Chemical weapons, Oxford, 2003)

But are there posed sufficient national or international restraints against this danger? In the past various legal norms, public oversights and political leaderships prevented the use of biological weapons. The history shows that the problem of biological proliferation is too complex to be solved by any single restraint (Graham S. Pearson, Biological weapon: the British view) and the first step to resolving the proliferation can be a reasoned assessment of threats and measures. Without a long-term attempts to "nonproliferation we are gambling for future". (Jessica Stern, Dreaded Risks and the Control of Biological Weapons)

During the cold war, the focus of security scholars on nuclear weapons was understandable as the destructive power of nuclear weapons caused horrific result during World War II. (Jeann Guillemin, Biological weapons, Columbia University press, 2005) After analyzing the results, more powerful weapons had been generated. Nuclear weapons formed the arsenals of the superpowers, maintaining the "balance of terror" between them. (Spencer R. Weart, Nuclear Fear: A history of Images, Cambridge University press, 1988) During the time US postwar biological weapons program were picked up to nuclear scale and practically every officials were openly talking about dangers of nuclear weapons. (Hersh, Chemical and Biological Warfare. Indianapolis 1968)

The 1972 "Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction," prohibits the development, production, and stockpiling of pathogens or toxins in "quantities that have no justification for prophylactic, protective or other peaceful purposes". Under the BWC, the development of delivery systems and the transfer of biological warfare technology or expertise to other countries are also prohibited.

However, like the 1925 Geneva Protocol, is not a guarantee for inspections and control of disarmament. In addition, there are no guidelines on enforcement and how to deal with violations and there are unresolved controversies about the definition of "defensive research". Alleged violations of the BWC were to be reported to the UN Security Council, which may in turn initiate inspections of accused parties, as well as modalities of correction. The right of per-

manent members of the Security Council to veto proposed inspections, however, undermines this provision. More recent events in 2003 and 2004 again illustrated the complexity and the enormous difficulties the UN faces in enforcing the statutes of the BWC.²

Although the Geneva Protocol banned the first use of biological weapons, it was silent about acquisition of this new class of weapons and allowed a state party to prepare itself for reprisal with chemical or biological weapons. The concept or reprisal is much debated, as the line between defensive and offensive preparation was vague. The threat of an opponent's biological weapons always invoked to 'accelerate the creation and expansion of the major program.' (Frits Kalshoven, Arms, Armaments, and International Law)

I. Development of Biological Weapons

In old history people believed in a mysterious transmission of diseases, they believed that infectious diseases could impact on people and armies causing collective disease and sudden epidemic. In the Middle Ages military leaders understood that victims of infectious diseases could become weapons themselves. In 1346 during the siege of Caffa, the attacking Tartars forces experienced an epidemic of plague. They hurled the cadavers of the deceased soldiers in the city and initiated a plague epidemic and the Genoese forces retreated. The terrible plague epidemics later called as the Black Death soon appeared in Europe, Asia, North Africa and in the 14th century became the most devastating disaster in history killing about 25 million Europeans.

The similar incident happened in 1710 during the battle between Russian and Swedish troops in Reval. In the French-Indian War (1754-1767), the commander of the British forces in North America Sir Jeffrey Amherst suggested to use smallpox deliberately for killing the Indian population (Stefan Riedel).

By the end of the nineteenth century medical scientists discovered microorganisms which could cause specific diseases and consequently it became possible to protect population from plague, cholera, diphtheria, smallpox, influenza, malaria.

By the 1920's public health in cities had improved and water and food sources were strictly monitored by the states, drug therapies and vaccines were invented and prevention of epidemics became already possible.

Government-sponsored scientific research into the development of technologically sophisticated applications of biological weapons for use against humans, livestock, and crops began during the early decades of the 20th century. Most government bioweapons programs included research on the culture and testing of disease agents intended specifically for use against livestock and food crops. During World War I, Germany investigated techniques for using anthrax, glanders, cholera, and fungal diseases of wheat as biological weapons. German espionage agents attempted to create outbreaks of anthrax among livestock in Romania and Argentina and spread glanders among horses and mules—then still critically important as cavalry mounts and draft animals for the transport of artillery, ordnance, and supplies—in

² See full text on <http://www.un.org/disarmament/WMD/Bio/>.

The Biological Weapons Convention (BWC), the first multilateral disarmament treaty banning the development, production and stockpiling of an entire category of weapons of mass destruction, was opened for signature on 10 April 1972. The BWC entered into force on 26 March 1975.

Mesopotamia, France, Argentina, and the United States.

Germany was also implicated in an attempt to precipitate an epidemic of plague among humans in St. Petersburg, Russia. Japan developed and used biological weapons against human and animal populations in Asia during the period 1932–1945. Plague-infected fleas were reportedly used by the Japanese to precipitate plague epidemics in China during World War II, and it has been estimated that some 10,000 human subjects were used for bioweapon experiments in China involving anthrax, plague, tularemia, and smallpox.

During the 1980s and 1990s, Soviet scientists used newly developed genetic engineering techniques to create antibiotic-resistant and vaccine-subverting strains of smallpox, anthrax, plague, and tularemia for bioweapon applications. Genetically modified zoonotic and epizootic diseases of humans and animals (plague, tularemia, anthrax) and virulent cultivated or wild strains of natural livestock diseases (e.g., foot and mouth disease [FMD], rinderpest, brucellosis) represent potentially serious threats to livestock, wildlife, and endangered species populations. Plant diseases developed for bioweapons applications against food crops, opium poppies, and coca plants may, however, infect nontarget species of wild plants and become established locally subsequent to their introduction to new environments.

In 1924 a Subcommittee of the Temporary Mixed Commission of the League of Nations investigated and concluded that they had no hard evidence of using bacteriological warfare during World War I. Later, international diplomatic efforts were made towards limiting the proliferation and on June 17, 1925, the "Protocol for the Prohibition of the Use in War Asphyxiating, Poisonous of other Cases and of Bacteriological Methods of Warfare" (the Geneva Protocol) was signed. 168 nations including 5 UN permanent members signed the agreement. However it was not an obstacle for the protocol member countries to develop a vast biological programs after its ratification

After the ratification of the biological and Toxin Weapons Convention in 1975 the biological and Toxin Weapons Convention in 1975 the threat of increased attacks with biological weapons has increased. The bioweapon programs of different countries and dispersal of their scientist heightened the global proliferation of bioweapons technology. The main technologies for culturing bioweapons are simple and are available through domestic and international commercial markets. The cost of small-scale bioweapons facilities and arsenals are not high (between 10,000-100,000\$) and is affordable for terrorist groups or well paid international organizations like Al-Qaeda, Hamas and Hezbollah. (Dudley J, Woodford M)

Though for the production and deployment of many dangerous bioweapons organisms are not necessary specialized technicians or state-sponsored research facilities. Foe assaults on agricultural crops or livestock populations can be used bioweapon cultures, diseased animals of infectious materials via international cargo transportation shipments.

Today it is evident that biological research facilities have been established in countries such as Iraq, Iran, Syria, Libya that cooperate or support international terrorist organizations.

II. Threats from Iraq

During the Cold War, the lawless characteristics of Saddam

Hussein's Iraq, increasing military force, Soviet and other assistance was a threat to the region. Iraq used chemical weapons against Iranian army (tear gas, mustard gas and nerve gas) and Kurdish villagers in 1987 and 1988.

In 1991, United Nations Security Council Resolution 687 required Iraq to reaffirm its commitment to the 1925 Geneva Protocol and ratify the BWC and to accept the destruction, removal or rendering harmless of all chemical and biological weapons and stocks of agents and all ballistic missiles with a range greater than 150 kilometers.

UNSCOM (the United Nations Special Commission) was assigned to facilitate the elimination of chemical and biological weapons and its purpose was to disarm Iraq and prevent proliferation of the prohibited weapons. The commission observed imports of biological warfare and in 1995 the Iraqi government was forced to admit that it had developed and offensive biological weapons program and provide information on the amounts of biological agents. Iraq later informed about the destruction of all biological agents. (Butler R. 2000)

Iraq began the creation of a biological weapons program in 1974 with the help of Iraqi scientists and technicians who received their education in Western countries. Following the recent approaches in biological weapons program development in the United Kingdom, the United States and the Soviet Union, in 1984 a group of biologists began research within one of the chemical weapons complexes. In 1988 Iraq established the Al-Hakam facility for mass production of anthrax, botulinum toxin and later viruses. Iraq had enough resources to build or buy any necessary technology.

General Kamal stated that all the biological program activities ended in 1991, though according to UNSCOM final report on Iraq said that "Iraq has not provided evidence concerning the termination of its offensive BW programme. The evidence collected by the Commission and the absence of information from Iraq, raises serious doubts about Iraq's assertion that the BW programme was truly 'obliterated' in 1991 as it claims." (UNSCOMS' Comprehensive Review, UN, 1998).

III. Other risks

During the 1990's serious fatal epidemics were emerged in sub-Saharan Africa, South Asia, South America and the Caribbean which were mainly spread in Russia and Eastern Europe. Earlier, in the 1980's the AIDS epidemic had introduced Americans and HIV infection became more like a chronic disease than a fatal epidemic causing collective death of lots of people. The 1993 bombing at the New York World Trade Center, planned and executed by terrorist Ramzi Yousef, the 1995 Oklahoma City bombing demonstrated how easy was to demonstrate a foreign attack. The US Congress reacted with restricted legislation to bolster preparedness against WMD terrorism in state and in local communities.

A month before the Oklahoma City bombing, members of the Aum Shinrikyo (Shining Truth) cult released nerve gas in an attack in the Tokyo subway where twelve people were killed and thousands were hospitalized. Also in the town of Matsumoto, the cult had released a sarin cloud killing seven people. Only after further investigations revealed that the cult had experimented unsuccessfully in Japan with dispersing anthrax spores in public places. (Guavillemin, J 2004)

Aum Shinrikyo's organization was global and it had thirty thousand members in post-Soviet Russia, twenty thousand

or more in Australia, Germany, Taiwan and the former Yugoslavia. The organization attracted scientists and explored lethal agents, its goal was destruction apocalyptic.

Since the 1980's, US troops and embassies in the Middle East and Africa were targets of terrorist attacks. In August 1998, Al Qaeda operatives coordinated the bomb attacks on several US embassies in different countries killing and injuring thousands of innocent civilians. The Al Qaeda involved terrorists from Egypt, Jordan, Saudi Arabia, several Africans.

IV. Threats for National Security and US response to terrorism

After the September 11, 2001, Al Qaeda attacks on the United States and the anthrax postal attacks soon were followed by intensified policies for national security and defense against biological weapons. The Bush administration negotiations to strengthen the Biological Weapons Convention (BWC) with mandatory compliance measures like national enactment of penal legislation, national oversight of dangerous pathogens, investigating and responding suspicious disease outbreaks of humans, animals and plants.

The US government's positions were understood in totally different direction after editing the best-seller "Germs" written by journalists. The book revealed the secret US projects concerning defensive and offensive development. (Miller, J 2001) The project tested a model of Soviet anthrax bomb, built a small biological-weapons production facility on the open market and created a new vaccine-resistant anthrax. According the official sources, the first two projects were kept secretly even from the president National Security Staff until they were investigated by the journalists. After the intensive negotiations with the scientists, the CIA lawyers decided the bomb project could be considered as an important issue for the defensive research. As for the production of biological-weapons facility, the project was sponsored by the Defense Threat Reduction Agency (DTRA) within the Defense Department. Developing the third project concerning the development of vaccine-resistant anthrax meant to duplicate a Russian experiment. Finally after hesitations the Bush administration and National Security Council officials gave their permission, believing that the Pentagon had right to investigate the genetically altered pathogens for defensive purpose and "protect American lives. (Miller, J, 2001) It was obvious that the US's military intelligence agencies really could fulfill the project without public review not even considering other countries' national security interests.

After September 11, the UN security Councils and the international community supported the US invasion of Afghanistan and destruction of Taliban government and here the world experienced a new terrorism against innocent civilians. For appealing the public support for an invasion, president Bush and the British Prime Minister Tony Blair spoke about the danger of Saddam's weapons of mass destruction. France, Russia and Germany hesitated about the invasion and demanded more time for UN inspectors.

Later, in February, Secretary of State Colin Powell made a presentation at the United Nations showing slides and audiotapes emphasizing on Iraq's germ weapons dan-

ger. Though, UNMOVIC investigators (United Nations Monitoring, Verification and Inspection Commission) found no evidence of chemical or biological weapons and nor the evidence of mobile facilities. Later disregarding the reports of UN inspectors, the United States and UK forces invaded Iraq on March 19, 2003 and in May ceased the military operations. Weapons of Mass Destruction were not found in Iraq, WMD arsenal had been destroyed in the 1990s during the UNSCOM investigation. Though, the US administration declared that the war was necessary, the reason was the Saddam Hussein's dictatorship and the threat of possible using the weapons of mass destruction in future.

The United States invaded Iraq with the goal of destroying its biological or chemical threat. Later the government created a new federal department for civil defense and supported the development of pharmaceutical and other technologies.

"Bioterrorism is a real threat to our country. It's a threat to every nation that loves freedom. Terrorist groups seek biological weapons, we know some rouge states already have them...It's important that we confront these real threats to our country and prepare for future emergencies"-declared president George W. Bush in June, 2002

President Bush administration strengthened the nation's defenses against biological weapons investing 10 billion dollars since 2001. Today the country is searching to find new and better ways to secure America from bioterrorism. The new USA biological program focuses on several important aspects like threat awareness, prevention and protection, response and recovery. The administration mobilized biomedical research infrastructure to develop medical countermeasures, expanded international relationships to prepare, prevent and respond to bioterrorism.³

IV. Prevention of Biological Weapons

The international community banned the use of chemical and biological weapons after World War I and reinforced the ban in 1972 and 1993 by prohibiting the development, production, stockpiling and transfer of these weapons. Today's advances in life sciences and biotechnology, as well as changes in the security environment, have increased concern that long-standing restraints on the use of chemical and biological weapons may be ignored or eroded.

Despite the huge loss of life and destructiveness of World War II, the biological and chemical weapons were not used. That may have been due to a fear of reprisals using these weapons, but the 1925 Geneva Protocol had established a new and clear norm in international law.

The protocol was successfully used in nearly hundreds of armed conflicts since 1925. This protocol was a landmark in international humanitarian law. Further legal instruments followed in the form of Convention adopted by States in 1972.

The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction, commonly known as the Biological Weapons Convention (BWC) or Biological and Toxin Weapons Convention (BTWC), which was

³ Full text of the 1925 Geneva protocol (Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare) is available on the link <http://www.un.org/disarmament/WMD/Bio/1925GenevaProtocol.shtml>.

opened for signature in 1972 and entered into force in 1975.

It was the first multilateral disarmament treaty banning an entire category of weapons. It effectively prohibits the development, production, acquisition, transfer, retention, stockpiling and use of biological and toxin weapons and is a key element in the international community's efforts to address the proliferation of weapons of mass destruction.

Today 151 states are members of the BWC, which went beyond the Geneva Protocol 3 to ban development, production and possession.

Each state party to this Convention undertakes never in any circumstance to develop, produce, stockpile or otherwise acquire or retain:

1. Microbial or other biological agents, or toxins whatever their origin or method of production, of types and in quantities that have no justification for prohibition, protective or other peaceful purposes;

2. Weapons, equipment or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict

According to this treaty, biological weapons programs were stripped of their legitimacy. Any nation pursuing an offensive program had to do so secretly or admit a fact of violation of an international law and a norm accepted by most nations in the world.

The BWC has no mandatory provision for verification to allow state parties to assure each other of compliance. It was written during cold war before the major superpowers could agree on verification measures for nuclear treaties. The Soviet Union exploited the lack of compliance provisions creating offensive program.

After the Cold world reaction to its massive offensive program intensified international efforts to strengthen the Biological Weapons Convention. In 1993, the Chemical Weapons Convention (CWC) also fortified the Geneva protocol by banning the development, production, possession and stockpiling of these weapons. The CWC also ruled to destruct of US and former Soviet chemical stockpiles.

According to political scientist Mary Kaldor, new wars are based on identify politics (ethnic or religious) and are waged by decentralized armies by globalized transfers of weapons and wealth. (Kaldor, M 1999)

Nowadays, reflections how to prevent proliferation of Biological weapons are one of the most actual debates in international relations. For struggling against the bioterrorism, several steps should be done. Traditional security strategies like deterrence and arms control cannot be effective, several simultaneous actions are necessary to restrain the production and use of the weapons of mass destruction like:

- renewing the BW convention
- reinforcing the norms against the development and use of this weapons

strengthening defenses against biological weapons ⁴

It is obvious that the existing strategies are not enough to guarantee that biological weapons will not be used, biological weapons are still proliferating and society should take additional actions for strengthening the nations' capacity to respond to the use of biological weapons. Strengthening defenses could be fulfilled by the following actions

- preparation to respond to Biological Weapons' threat by undertaking research into diagnosis and therapeutic interventions

- awareness and education by consulting the professionals any time needed to diagnose and treat patients, also by enhancing professional and educational trainings

- laboratory diagnosis by performing diagnostic studies to implicate or exclude biological weapons use.

- Systems for distributing the therapeutics by emerging treatment of antibiotics and vaccines

- Hospital response

- Scientific research by rewarding basic science research efforts for producing novel diagnostic technologies.

In case of bioattack strong public health preparedness can reduce vulnerabilities to intentionally caused disease. More lives can be saved in case the population is effectively immunized.

Bioweapons agents can be made resistant to vaccines or antibiotics or altered to increase their lethality or to evade treatment. Diseases once thought to be eradicated can now be resynthesized, enabling them to spread where there is limited immunity. (Barry Kellman, Democratization of Mass Violence, 2011) Smallpox, the deadliest scourge in our species' history, has been eradicated from nature, but most scientists agree that it can soon be created as a new kind of agent in well-equipped laboratories. Altogether, techniques that were on the frontiers of science only a decade or two ago are rapidly mutating as scientific progress enables new ways to produce lethal catastrophe (see, generally, Tucker, 2010). According to the National Academies of Science, 'The threat spectrum is broad and evolving – in some ways predictably, in other ways unexpectedly. In the future, genetic engineering and other technologies may lead to the development of pathogenic organisms with unique, unpredictable characteristics'⁵

We should not forget that preparedness of medical countermeasures for curing victims is an essential step and such medical countermeasures must be produced and stockpiled before the attack; surge production to meet bio-attacks will leave far too many people dead. However, advance planning is complicated by the distinctiveness of agents and by the logistical complexities of delivering medical countermeasures to victims in time. These complications are magnified by "an array of legal barriers and gaps that render well-intentioned efforts to promote biopreparedness substantially ineffective." (Barry Kellman, Democratization of Mass Violence, 2011)

⁴ For additional information about biopolicy follow the link <http://www.biopolicy.org/key-documents>

⁵ See Committee on Advances in Technology and the Prevention of Their Application to Next Generation Biowarfare Threats, National Research Council of the National Academies, Globalization, Biosecurity, and the Future of the Life Science (2006), p. 49.)

In the early 1990s concerns about the Soviet biological weapons programme and biological warfare increased and policy makers devoted renewed attention to strengthening the 1972 Biological and Toxin Weapons Convention (BWC) by devising an inspection protocol similar to the verification mechanism described in CWC.

Though officials conducted that it was too difficult to devise an inspection regime over thousands of medical laboratories around the world, as it is too easy to conceal work on biological agents. The best way to solve the problem is to strengthen domestic criminal laws against manufacture or possession of biological weapons or agents and improving health monitoring to spot the outbreak of infectious diseases.

Conclusion

The modern society is the culmination of technical achievements of state programs. The end of Cold War has totally changed concept of war. Soon lots of regional conflicts emerged or religious or nationalist extremisms sometimes allied with global terrorism. It became obvious that, small states and terrorists would try to possess modern technologies to use in total war. Threats from biological weapons alarmed the active world. Scientists and political leaders mobilized resources for biological weapons development. After the use these weapons had been banned by the 1925 Geneva protocol, the leading countries like the United Kingdom, the United States, former Soviet Union, Japan had developed biological warfare programs.

Biological weapons are indeed a different kind of threat, one that is variable in scale, source and in its possible impact on society, including psychological and social disruption... A radical argument can be made regarding both biological weapons and bioterrorism. (Guillemin, J 2004) The policy we should introduce for restraining the use of biological weapons are: supplying the society with reliable information, public education, disease reporting and diagnosis, investigation, international treaty compliance measures.

Early detection of a biological weapon attack is the key to mitigating its consequences. Another aspect is the transparency and oversight, as transparency of biodefense programs could not only promote accountability, reduce suspicion and build confidence, but it also could serve a deterrent function by demonstrating the availability of defenses against biological threats.

Intelligence is the first line of defense against biological weapons. Accurate and timely intelligence on bioterrorist threats is necessary to provide national security and public health officials. Intelligence and no secrecy, as without secrecy "surprise is more difficult and without surprise, biological weapons lose their effectiveness." (Koblentz, G 2009)

Renewing the Biological weapons convention is the most important part against biological weapons proliferation. In 2001 the negotiations on BWC failed. From 2003 annual meetings exchange information about bioterrorism.

Reinforcing the norm against the development and use of biological weapons should be strengthened to reduce the motivation of states and terrorists to acquire and use these weapons. If we add an international agreement that the use of biological weapons is a crime against humanity, states would be allowed to arrest and prosecute violators even if their crime took place outside of their nominal jurisdiction. (Koblentz, G 2009) Criminalizing biological weapons would delegitimize these weapons.

So, reflections, discussions how to build the better world, world without threats, unexpected deaths of millions of innocent civilians, world without violations, wars, weapons of mass destructions (nuclear, chemical and biological) remain just reflections. Terrorism is not a new term, it existed in early societies and in future will always play a role of regulator of the use of violence.

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Effects of Government Subsidies on Grape Growers in Georgia

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Abstract

In 2006 Georgian producers of wine lost the biggest market for their production, the Russian market because of an embargo imposed by the Russian government. Georgian wine producers and grape grower households were seriously affected by this event. Government started subsidizing the price of grapes in the region of Kakheti, which is the biggest producer of grapes, but this measure was not effective and couldn't compensate the losses of grape grower households. The subsidies were added to the prices the wine producer companies paid to grape growers. Giving subsidies to grape growers was only supportive action from the side of government but the amount of subsidy together with the market price often wasn't enough even for compensating the expenses of households. Respective data are shown and analyzed in the paper for the period of 2008-2012 and some calculations are made by the author based on them. Importance of the subsidies for grape grower households who represent the major contributors to the production of grapes is evaluated.

Keywords: Subsidies for grape growers, export, embargo, price of grape, wine producers, grape grower households

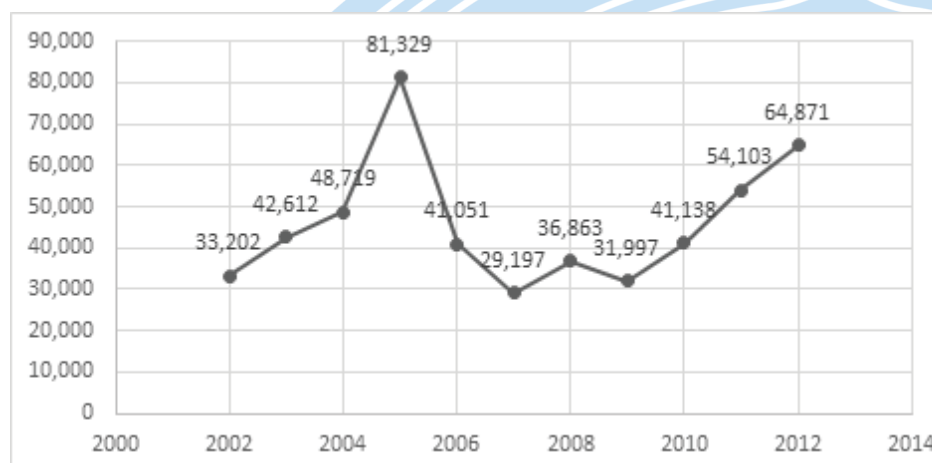
Georgia is the oldest wine producer country. Archaeological evidence of viniculture in Georgia dates back to between 9000 and 7000 BC and wine exporting has taken place there for more than 2500 years. Some ancient methods of wine production still exists to this day.

In Georgia there are more than about 500 endemic varieties of grapes.¹

Yearly production of grapes in Georgia is about 150-200 thousand tons. From this 30-40 tons are processed in wine producer companies. About 15 thousand tons are consumed

as a table grapes. Over 100 thousand tons are processed by unregistered persons for making "homemade wine". That is about 50-80 million liters that is consumed in the country.²

Wine sector in Georgia as other sectors and spheres of life was significantly affected by relationships with Russia which was traditional market for Georgian wine. On the one hand it was positive trend because Georgian wine was well known in Russia and other Soviet countries but on the other hand Georgian wine remained unknown for the rest of the world and hence, after the collapse of Soviet Union Georgian wine makers were still depended on Russian and



Graph 1: Georgian wine export by years (thousands USD)

Source: National Statistics office of Georgia

¹ Georgia: One Of The World's Oldest Wine-Producing Countries. Georgian Wine Association. Retrieved from <http://www.gwa.ge/?3/153/>

² Georgian Wine Association (2011). Sector Export Market Development Action Plan (SEMDAP), Wine Sector, p. 9

post-soviet markets.

Russia remained Georgia's largest foreign market for wine exports until an embargo in 2006. Share of Russian market in Georgia's wine export was about 80%.³ An embargo stated by the Russian government had severe effects on Georgian wine producer companies and grape grower households and hampered the growing trend of Georgian wine export.

Georgia's index of revealed comparative advantage in wine was 40.4 for the period of 2000-2005 and 15.2 for the period of 2006-2009 that was second in the world after Moldova (96.1 in 2000-05 and 45.9 in 2006-09).⁴

In 2008 share of crop land under vines was approximately 8%. Today the area of crop land under vine is about 45 thousand hectares that is much less than it was 30 years ago (almost 120 thousand hectares).⁵

After losing Russian market wine producers started to look for the ways for entering new markets in Europe, Asia

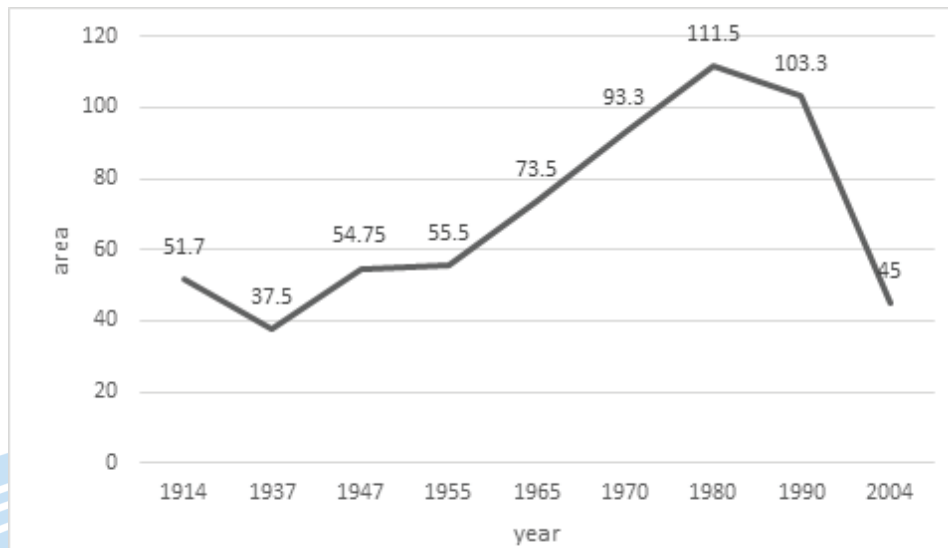
and America. For this Georgian wine makers had to be oriented on the quality of their wine. Because unlike Russian consumers European consumers are very demanding and appreciate the quality of the product. Orientation on increasing the quality of their production increased the expenses of wine companies. This fact along with the decreased total demand on Georgian wine contributed to the reduction of the price paid to grape grower households by the wineries.

In order to support grape grower households Georgian government started giving them subsidies per kg of grapes.

Most important share in Country's whole production of grapes has Kakheti region. The effects of the subsidies is analyzed on the case of Kakheti.

Yearly amount of subsidies per kg, households' revenues and other relevant data are given below in order to understand how effective or ineffective the subsidizing policy was. Period of 2008-2012 is taken for the analysis.

Respective tables and graphs are given comprising the



Graph 2: Area of Vineyards in Georgia (1000 hectares)
Source: Georgian Wine Association.

Table 1: Production of grapes by regions (1000 tons)

Year	2008	2009	2010	2011	2012
Georgia	175.8	150.1	120.7	159.6	144
Imereti	43.7	30.3	25	26.3	36.2
Shida Kartli	8.1	16.4	8.6	10.2	13.6
Kakheti	100	82.7	64.7	98.1	70.8
The remaining regions	24	20.7	22.4	25	23.3

Source: National Statistics office of Georgia

³ Georgian Wine Association (2011), Sector Export Market Development Action Plan (SEMDAP), Wine Sector, p.

⁴ Anderson K. (2012, June 24), Is Georgia the Next 'New' Wine-exporting Country? The Roles of Traditional vs New Technologies and Trade Alliances, Wine workshop, ICABR-EAAE Conference, Feudi di San Gregorio, Italy

⁵ Georgian Wine Association (2011). Sector Export Market Development Action Plan (SEMDAP), Wine Sector, p.

data on subsidies, productivity, agricultural households' contribution to whole production and etc. Calculations are made according to these data. The paper is a simplified review of the existing situation but it gives clear explanations of the problems.

One peculiarity of vine sector in Georgia is that the agricultural households make the biggest contribution to the grape production in the country. These are mostly small households who are not competitive on the market because of their limited size and resources.

After the embargo grape grower households faced two main problems:

1. Wine making companies in Georgia cut their production that caused the reduction of their demand on grapes significantly and contributed to the reduction of price grape grower households got for their product;

2. The quality of wine sold on Russian market wasn't high and couldn't compete on European, Asian and America's markets. Wine companies were forced to focus on a

quality of their wines that increased their expenses and triggered them to lower their offers to grape grower households.

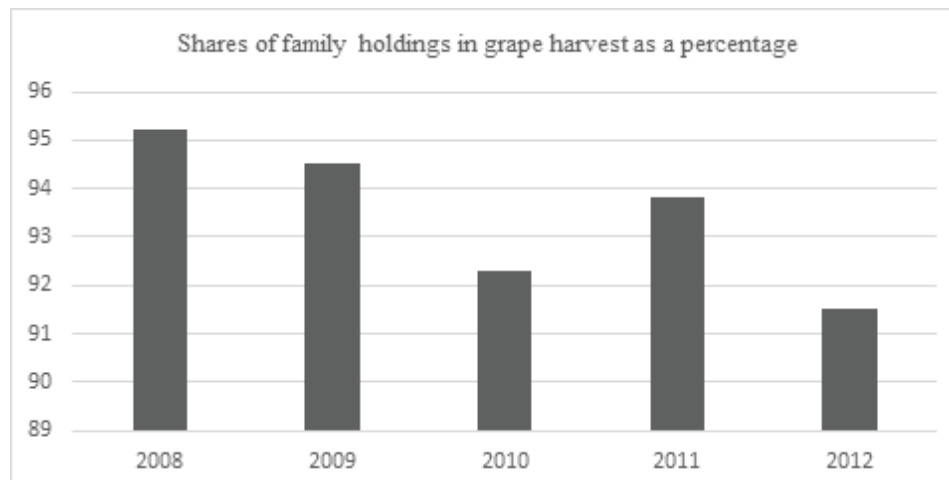
Russian market was very attractive for Georgian grape growers. Before embargo many farmers were planting vines because they hoped they would sell their products in Russia and get high revenues but because of the embargo they couldn't gain expected revenues on their investments.

In order to compensate these losses of grape grower households caused by reduction in price government started subsidizing the price of grapes. The subsidies were foreseen for all grape growers except the ones who owned vineyards of more than ten hectares.

Yearly amount of subsidies allocated for grape growers by varieties are shown in Table 2.

These amounts were added to the market price of grapes. In Table 3 the average prices got by grape growers are shown for the period of 2008-2012.

The prices grape growers had been getting till the em-



Graph 3: Agricultural households' share in the production of grapes by year (%)
Source: National Statistics office of Georgia

Table 2: Amount of subsidies per kg by year (GEL)

Product	Kakheti region				
	Amount of subsidies per kg (GEL)				
	2008	2009	2010	2011	2012
Rkatsiteli	0.15	0.15	0.15	0.15	0.25
Saperavi	0.25	0.25	0.25	0.25	0.35

Source: Voice of Kakheti

Table 3: Average price (market price + amount of subsidy) paid to grape growers

Product	Kakheti region				
	Average price for grape paid by wine producer companies per kg (GEL)				
	2008	2009	2010	2011	2012
Rkatsiteli	0.45	0.45	0.45	0.45	1
Saperavi	0.65	0.65	0.65	0.65	1

Source: National Statistics office of Georgia

bargo were much more than these prices. For instance, the price of Saperavi reached almost two GEL before embargo. The prices after embargo didn't provide grape growers with revenues that would be enough for covering the expenses and making investments.

There was no clear strategy of subsidizing households. Whole amount of subsidies was varying year by year and there wasn't clear standards or indicators by which the needed amount of subsidies would be calculated. It depended neither on the market price nor on the production level.

Table 4: Overall amounts of subsidies by years (millions GEL)

2012	8
2011	5.7
2010	6.1
2009	10
2008	10

Source: Voice of Kakheti

For more clearance volume of subsidies per hectare should be demonstrated. Vineyard area in Kakheti is about 33500 hectares. For calculating average amount of subsidy per hectare average productivity should be calculated first. These figures are shown below in Graph 4

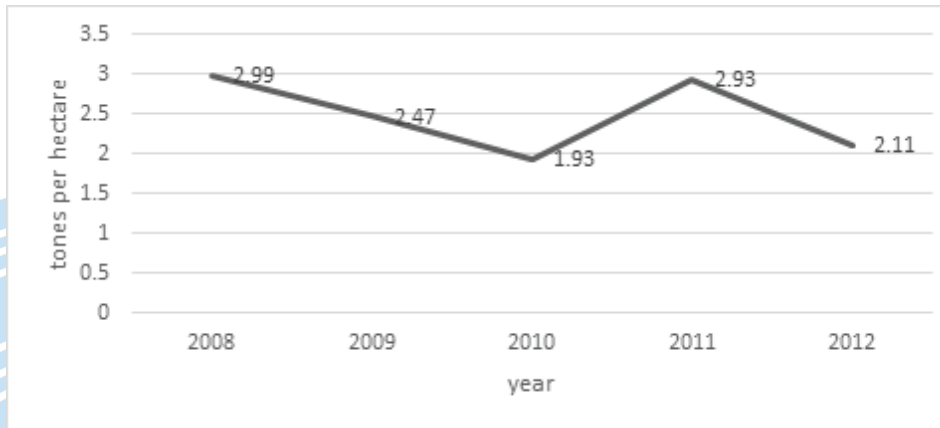
The calculations are made in such manner: average volume of subsidy are calculated by years $((\text{subsidy on Saperavi} + \text{subsidy on Rkatsiteli})/2)$. This figure is multiplied by the average productivity per hectare for respective year.

In order to better analyze the importance of subsidies for grape grower households their revenues per hectare should be calculated.

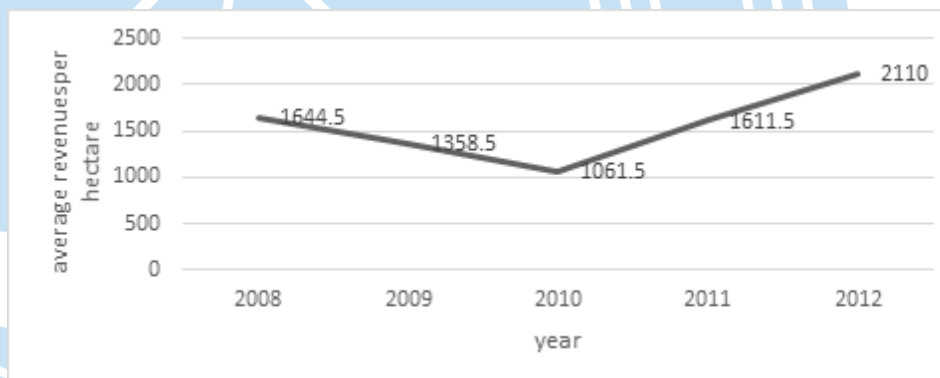
Data are calculated as follows: average productivity per hectare is multiplied by the price grape growers got (market price + subsidy).

Average amount of subsidies is about 30% of the joint price (market price + subsidy). Yearly expenses for Saperavi vineyard is approximately 3500 GEL per hectare. As for Rkatsiteli this value ranges between 1500 and 2000 GEL. We can see that joint price got by grape growers per hectare can't even compensate their expenses and they are unable to make further investments in their production. For instance, average monthly expenses of agricultural households in Georgia was about 530 GEL (National Statistics Office of Georgia). Hence small grape grower households who hold vineyards with area less than 2-3 hectares need other sources of revenues and can't depend only revenues from selling the grapes.

Since the embargo was imposed government had been allocating subsidies for grape growers but this action couldn't



Graph 4: Average productivity of grape per hectare in Kakheti region (tons)
Source: Author's calculations



Graph 5: Average revenue per hectare of grape in Kakheti by years (GEL)
Source: Author's calculations

solve existing problems for grape grower households.

Till the embargo there was not serious obstacles for selling the grapes and grape grower households were getting much higher prices than after embargo. The revenues from selling the grapes was enough for living of the grape growers and they also could save some money to make investments.

Most farmers say that the subsidies given to grape growers were not enough for stopping number of farmers ripping up their vineyards and replacing grapes by other cultures. They are just keeping a few vines in order to make wine for their own consumption, and the other vines are replaced by peaches, strawberries or other cultures.

The period from 2006 till 2012 was characterized by increasing prices on fuel and pesticides. In such circumstances decreasing price of grapes were very harmful for productivity of grape growers. Sometimes earnings from selling the grapes didn't even cover the costs of production.

It should be stated that in this period neither government nor farmers and wine-makers had long-term strategy for solving the problems they faced.

It can be stated that subsidies aren't the solution to the problem and more complex strategy is needed for the development of the sector.

It should be mentioned that grape growers who hold more than ten hectares of vineyard were not included in the subsidizing program. These are viable farms producing a big volume of grapes. In many countries development of viticulture relies on such farms instead of small households. Hence it would be better if government gave them subsidies as well.

One drawback of subsidizing program is that it may reduce stimulus of wine producer companies for increasing the price offered to grape growers for their production. As these companies know that government adds certain amount on the market price they may try to hold the price they offer on a low level.

Giving subsidies for grape growers can't be considered as long run solution for existing problems but even in a short run this action couldn't solve the problems that Georgian grape growers faced with.

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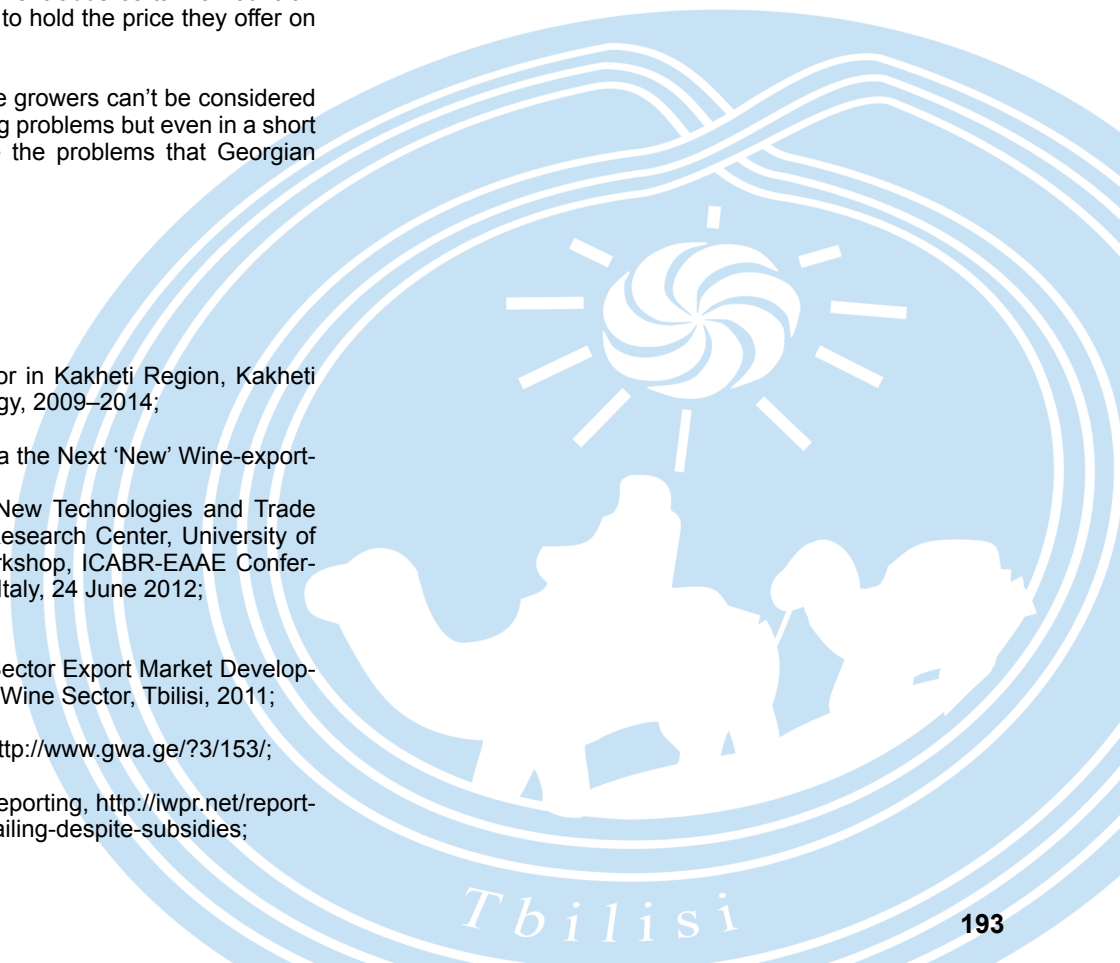
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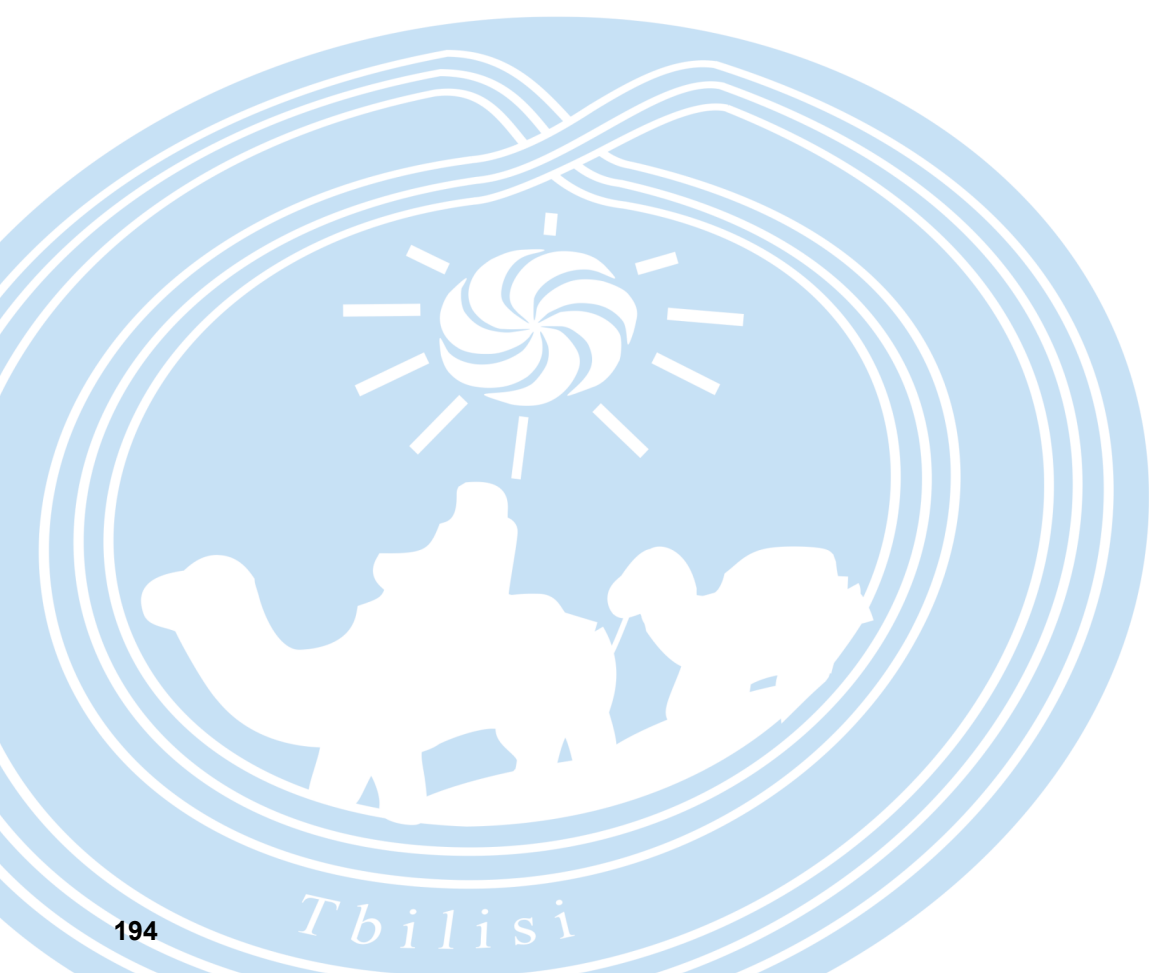
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Environmental Costs Reduction Using Logistical Approach To Ecological Compatibility of Motor Car Gas Diesel Engine

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Abstract

Logistical model is elaborated, which establishes dependency between ecological parameters of motor car gas diesel engine and indices of its liquid (diesel fuel) and gaseous (compressed natural gas) fuels. Optimization of these indices makes possible reduction of total amount and specific (individual) content of non-ecological components (carbon monoxide, hydrocarbons, soot, carbon dioxide) and thereby improvement of ecological compatibility of gas diesel engine. Mentioned corresponding ecological effect is substantially caused by 80-90% reduction of liquid fuel consumption by gas diesel engine that due to relatively high cost of this fuel will cause reduction of environmental costs induced by motor car.

Keywords: environmental costs, ecology, motor car, gas diesel engine, fuel economy, harmful components

Introduction

Protection of environment from pollution is associated with considerable economic expenses that are not followed by financial return and are characterized only by ecological and social efficiency. Therefore, reduction of mentioned economic costs is very topical issue.

From the viewpoint of abovementioned reduction of costs necessary for improvement of ecological compatibility of automobile transport – actually the greater pollutant of environment (more than 70 percents of air pollution falls on it) is extremely important. One of the most prospective ways of reduction of these costs is improvement of ecological properties and reduction of consumption of liquid fuel (gasoline, diesel fuel). Taking into account increase in the number of motor cars (only in Georgia their amount exceeds 800 thousands) and increase in fuel consumption by them (rates of which are already remarkable) it becomes clear that motor car fuel economy will induce significant economic and energy effects. At the same time demand for too expensive catalytic and other additional devices will decrease, since resource of their effective operation will increase due to reduction in fuel consumption.

In order to improve ecological compatibility of motor cars with diesel engine is necessary to make optimal the characteristics of its properties such as cetane number, fractional and chemical composition, viscosity, density, ash con-

tent, coking property, acidity, content of sulfur and existent gums etc. [1].

Thus, reduction of liquid fuel consumption, along with cost reduction incurred on motor car ecological compatibility causes decrease in oil extraction and minimization of corresponding environmental expenses. Considerable reduction of fuel liquid consumption in its turn is possible by use of gaseous fuel.

I. Basic Part

Appropriate logistical model was elaborated with the purpose of improvement of ecological compatibility of motor car gas diesel engines and reduction of corresponding economic expenses that is expressed by reduction of fuel liquid consumption and total and specific concentrations of non-ecological components in exhaust gases. It points at expediency of optimization of the specific parameters of liquid and gaseous fuels, which have the most effective impact on improvement of ecological parameters and thereby makes possible minimization of corresponding economical expenses.

As is known diesel fuel is consumed by gas diesel engine only during engine starting, idle run and afterwards

only as "ignition dose" for air-fuel mixture, that's why it is consumed by 70-80% less quantity in average compared with diesel engines. Therefore, gas diesel fuel, in comparison with diesel fuel, has relatively less impact on ecological compatibility of gas diesel engine and thereby among abovementioned indices acting on ecological compatibility main attention must be paid to the indices, which to the most extent induce gas diesel engine starting, ignition of air-fuel mixture by "ignition dose" and effective combustion of inflammable mixture. Conceptually [1-7], cetane number, fractional and chemical compositions, viscosity and density can be considered as such main indices.

Cetane number is a main index of diesel fuel self-ignition. It has a decisive influence on ease of diesel engine starting, on rough running, fuel consumption and smokiness of exhaust gases. If its value is more than optimal (when pressure growth rate in engine is normal and doesn't exceed 0,26 mm/m2l²), then engine fuel economy deteriorates and smokiness of exhaust gases increases by 1-1,5 Hurtridge units per each unit of cetane number. At the same time, if cetane number is less than normal value, e.g. falls down from 53 to 38, then engine's starting time increases from 3 to 45-50 seconds that also stipulates increase in fuel consumption and toxicity of exhaust gases. Cetane number shouldn't be less than 45.

The essence of abovementioned lies in the following. As is known, value of diesel fuel self-ignition delay period in combustion chamber of engine has a direct impact on the character, rate of running and completeness of combustion process etc. that is caused by character of flow of chemical processes for the period, inducing fuel preparation for self-ignition. The faster these processes flow the less is a chemical constituent chem. of delay period of fuel self-ignition, which is influenced by cetane number. As to its physical constituent phys., as is known it is characterized by time spent for injected fuel jet partition into drops, their evaporation, mixing with air. Engine design peculiarities, fractional composition of fuel, viscosity, density but not cetane number of fuel have a main influence on them.

According to above mentioned the more is cetane number the less is delay period of fuel self-ignition, i.e. the less amount of fuel will be ignited simultaneously and pressure increase will be of smoother character. But if cetane number considerably exceeds the standards and delay period of fuel ignition is far less than optimal one, then fuel can ignite almost from the very beginning of ignition and the rest of portions will be injected into gases already combusted in fact, will be evaporated quickly and won't access the parts of combustion chamber, where air (oxygen) still is not consumed. This will reduce combustion completeness that causes reduction in engine capacity, fuel consumption and increase in smokiness and toxicity of exhaust gases.

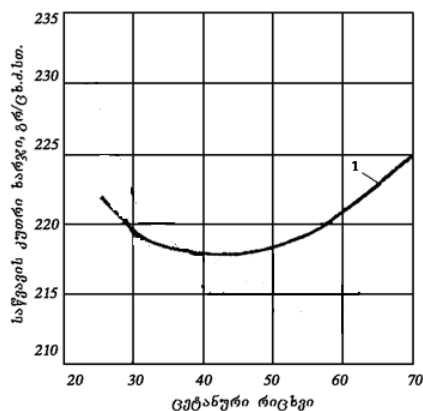


Fig.1: Influence of diesel cetane number on specific fuel consumption in diesel engine (1)

In general we can say that the use of fuels, cetane number of which is less than 40 causes rough running of engine, while if its value exceeds 50, then takes place deterioration of fuel economy and ecological compatibility of engine (Fig. 1).

Fractional composition of diesel fuel has a great impact on quality of air-fuel mixture formed in engine cylinder. In contradistinction to gasoline, diesel fuel startability to a certain degree are characterized by temperature t50% corresponding to 50-percent evaporation. For instance, in case of engine starting with fuel, temperature of which t50%≈200-250°C, time of crank-shaft return is 9 time lesser then in case of fuel containing heavier fractions, for which t50%≈285°C (Fig.2). Fuel consumption and smokiness of exhaust gases increases in accordance with increase of value of t50%, since time of air-fuel mixture preparation and induction period increase, too, and therefore as is clearly seen from data of engine's starting duration ts-u fuel with light fractional composition evaporates relatively fast that decreases the time of air-fuel mixture preparation. When using fuels with heavy fractional composition, for which values of t90% and t96%, respectively, are high, certain portion of injected fuel drops of motor car high-speed engines has no time and lags to evaporate and burns in combustion chamber that causes increase in fuel consumption and in smokiness of exhaust gases, compared, for instance, with standard fuel, when using fuel with 30°C higher temperature of end of combustion t96%, diesel engine fuel consumption increases by 3% average, while smokiness of exhaust gases – by 10%. Liquid fuel drops also cause oil washout from cylinder walls that induces increase in wear intensity and deterioration of oil quality. Both these phenomena have indirect negative influence on motor car ecological compatibility (loss of pressure due to wear and drop in degree of actual compression, ease of oil access to chamber etc.).

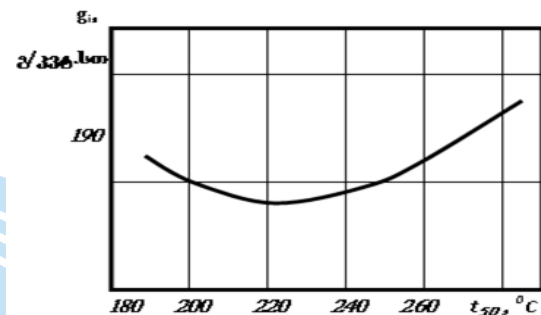


Fig.1: IDependence of specific fuel consumption (gi) on temperature of 50% distillation of fuel (t50) According to standards t50% and t96% should not exceed 280°C and 360°C, respectively (Georg. St. 51:2003).

Number and sizes of drops in fuel spray injected to combustion chamber change in range from 3-5 to 100-150 mkm. Size of mentioned drops, their permeability into cylinder for compressed and heated gas depends on fuel viscosity and density; if value of these indices is more than standard (necessary) values, then large particles are formed and due to high kinetic energy obtained during injection part of fuel will fall on combustion chamber walls, will not timely evaporate and incomplete combustion of air-fuel mixture will take place, that causes increase in fuel consumption and smokiness of exhaust gases (Table 1). When viscosity and density are below the standard, during injection takes place formation of small-size drops, which don't access deep in combustion chamber in compressed air, basically accumulate near atomizers and don't form rich air-fuel mixture that causes incomplete combustion of mixture. Therefore increase in fuel consumption and content of toxic components in exhaust

gases will take place.

Kinetic viscosity of diesel fuel at 20° should be in ranges of 3,3-6,0 mm²/sec, while density shouldn't exceed 860 kg/m³ (Georg. St. 51:2003).

Due to high self-ignition temperature of natural gaseous fuel is necessary to preserve high degree of compression in gas diesel engine that is possible thanks to high octane number of gas. That's why reduction in quality of actual compression due to wear of cylinder-piston group doesn't occur. First of all, it is depended on content of sulfur and its compounds in fuel, since they cause corrosive wear of parts. Therefore, their content in diesel fuel shouldn't exceed standard permissible norms (Georg. St. 51:2003, [5]). For instance, up-to 0,06% increase in mercaptan sulfur content (0,01%) above standards causes 2-times and more increase in corrosion wear of parts.

Regulation of water content is also important since water acts not only on corrosion properties of fuel, but also causes increase in delay period of fuel self-ignition that deteriorates power, fuel-saving and ecological characteristics of fuel.

Main tool for enhancement of ecological compatibility of gas diesel engine is complete combustion of air-fuel mixture that is accompanied by maximum emission of end products of combustion – carbon dioxide (CO₂) and water steam. At the same time CO₂ is considered as on of the most important conditioning factors of "global warming", so reduction of CO₂ quantity is desirable along with improvement of combustion completeness, that is possible via reduction of the components rich in carbon, such as benzene and other aromatic hydrocarbons of its series [8].

Enhancement of ecological compatibility of gas diesel engine and reduction of fuel consumption are also possible via use of so-called chemical regulation of fuel combustion [9].

Taking into account conceptual regularities revealed above, logistical model of environmental cost dependency on diesel fuel characteristics was elaborated, which is given

Table 1: Influence of diesel fuel viscosity and density of specific fuel consumption and smokiness of exhaust gas

Kinetic viscosity at 20°C, mm ² /sec	Density at 20°C, kg/m ³	Specific fuel consumption, g/hp.hr	Smokiness of exhaust gases, conditional unit
7	886	246	77
15	905	250	82
40	923	260	86
65	930	328	96

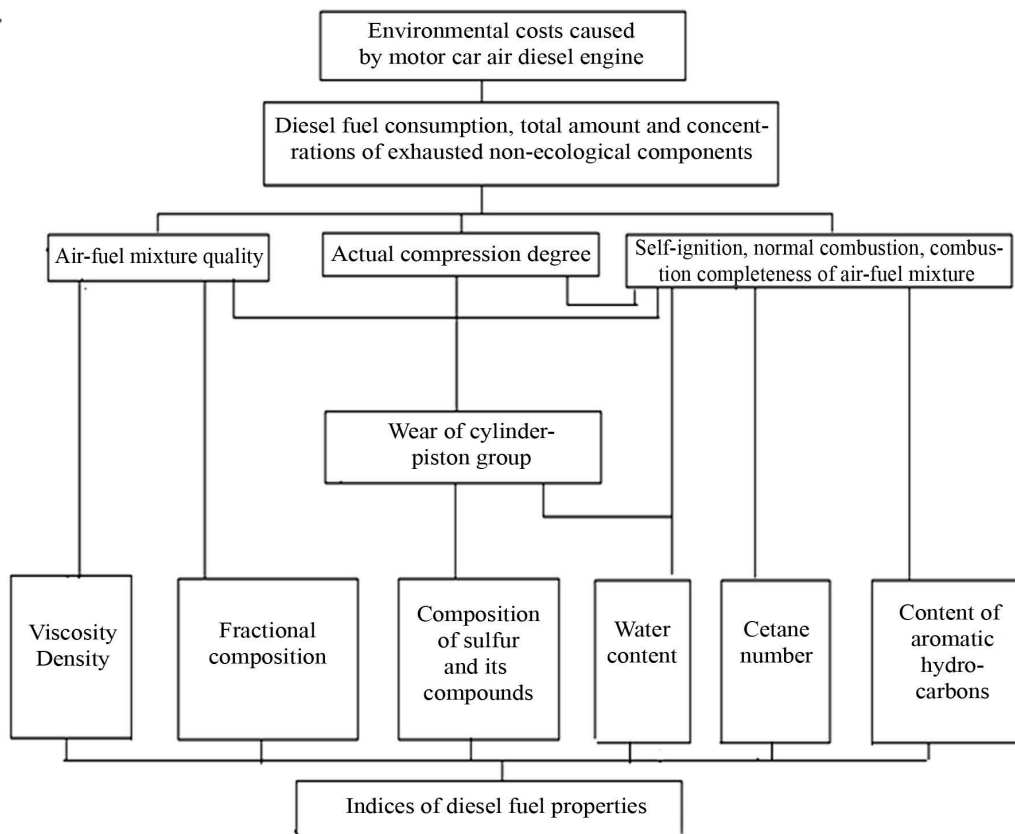


Fig. 3: Model of logistical system «environmental expenses caused by motor car gas diesel engines – diesel fuel properties »

Conclusions

For the first time is elaborated the model of logistical system «environmental expenses caused by motor cars with gas diesel engines – diesel fuel properties» that makes possible improvement of motor cars ecological compatibility and control over the level of corresponding expenses by means of optimization of ecologically important indices of diesel fuel.

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Value of Port Anaklia in the New Project “Silk Road”

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Abstract

“Great SILK ROAD” represents a transcontinental trade - caravan route way that’s history starts since II century BC. From this road was carried out the precious silk export from China to Rome (later Byzantium).

The Great Silk Road contributed to the development of economic and cultural relations between East and West countries. Due this road were establishing the diplomatic relations between the countries of Asia and Europe, were changing production, cultures were be closer.

It should be mentioned that there were a several “Silk Road” trunk routes, from which the shortest way from China to Europe passes Caucasus with Black Sea and Caspian Sea.

Nowadays, when the world makes smaller when enormous proportions is reached the industrial growth in Japan, China, South Korea’s, still actual is the restoration of the ancient trade route’s Transport Corridor Asia - Caucasus -Europe that has sometimes been called as “New Silk Route”. In May of 1993 in Brussels, 8 states: Georgia, Azerbaijan, Armenia, Turkmenistan, Kazakhstan, Kyrgyzstan and Uzbekistan have signed the TRACECA - project.

The restoration of “Silk Road” for Georgia has a very large political and geopolitical importance, because of the further stable economic development of Georgia is significantly related with development of Black Sea Colchis coast unique deep sea port potential.

The realization of Georgia favorable transport geographical location in creation of a Eurasian transport corridor significantly supports to the country’s economic development because modernity is characterized by a steady increase in sea transportation.

The Georgian government also takes an interest in this issue and in the investment fund has already invested a significant amount for construction of generation sea port in Anaklia that has a unique natural deep sea Canyon and, therefore, a great perspective.

Keywords: Anaklia-Port; “Great SILK ROAD”, Maritime transport

The word “port” (Portus) has Latin origin and means the entrance, gate. As historic gateway of Georgia is considered Black Sea Lowland Colchis coast, where were visiting the Argonauts (in VIII century BC). The location of antique Phasis (now Poti) is described in its historical geography by ancient Greek geographers Strabon (I century BC), as the located between sea, lake and river the city. In addition, to the Nobel Brothers business interest is related the construction on the Colchis Lowland coast the port of Batumi, from where was exported to Europe extracted in Baku petroleum, as the shortest path. It is also important to the Russian Emperor Nicholas I’s interest in construction in Poti of port, for which he has allocated significant funds to carry out the project works, were selected the intellectual forces. In the following, the development of capitalism makes in Poti a major trans-

port nodal point. In 1871 was opened first in the South Caucasus Railway, Poti- Shorapani in order to export Chiatura manganese in Europe, etc.

All of these underlines the particular importance of Black Sea East Coast location since the ancient time up to now, as the effectively organized port system operation, could give to the country a substantial stable financial income

Sea Port is the most important transport logistics unit, in which is carried out cargo loading, unloading and storage. In port is carried out the transport documents preparation and additional maintenance of ships. In the port would occur the redistribution of goods, sorting, processing, packaging, passenger’s service.

It should be mentioned that the sea port is alive mechanism and on it is reflected the level of technical development in the world. Accordingly due the functional aspects of action, there are three generations of ports that origination corresponds to the port system development stages within the framework of overall transformation of international maritime transport system.

The first-generation ports were functioned until 1960, and were served only marine and continental transportation. The port structure has been directed towards maintaining the port standard function – cargo load, unload, storage. The port customers were ship owners and not the cargo owners.

The second-generation ports are characterized by a wider range of services that has the commercial dimension. In 1970-ies the ports becomes closer to industry (for example, metallurgy and petro chemistry) and transforms as "industrial Ports". The transportation of large volumes of raw materials gives the start to large tonnage tankers

The third-generation ports were introduced in 1980-ies when was originated an integrated logistics chain between production and dealers. For this generation ports are characteristic narrow specialization terminals, more complex handling equipment and containers. At present, the ports stimulate the economy and trade, and have elevated distribution function in a global scale. In this generation ports is possible to transport goods technological processing, packaging, and sorting.

The repeatedly intensive attending in Black Sea Colchis lowland with adjacent territory starts after 1993, as the European Union's activate of the agenda TRACECA-s (Transport Corridor Europe-Caucasus-Asia) project the strengthening of economic ties between Europe and Asia. The TRACECA legal status came into effect in 1998, after it was signed by 12 countries: Georgia, Armenia, Azerbaijan, Turkmenistan, Kyrgyzstan, Kazakhstan, China, Turkey, Bulgaria, Moldova, Ukraine, Uzbekistan.

The basic strategy of TRACECA project is creation of cost-effective, integrated multi-modal transport system between Europe and Asia, the main priority of that is the safety and effectiveness of transportation.

It is interestingly that the shortest connecting route between Europe and Asia matches a Caucasian route of so-called "Great Silk Road" that makes as actual the restoration of ancient trade route Asia - Caucasus - Europe. And all of this is not random, because:

The modern sea ports are belonging to mechanized transportation units. They must have natural or artificial piers for ships, vehicles loading - unloading activities, equipment for fleet fuel, water and food supply, elevators, refrigerators, storage space and other special facilities. On the port area are located administrative buildings, where are arranged various facilities to carry out maintenance, navigational, legal and commercial services.

To the sea ports coast and warehouses should be arranged railway, motor roads and pipelines, which are interconnected the maritime and continental transport. This gives the possibility to the port to fulfill his one of the primary task: to transfer cargo from maritime transport to other modes of transport and vice versa. Accordingly in the port is carried out the transport rolling stock handling, cargo storage, supply ships with fuel, water, food, navigation tools, etc.

The arbitrary navigation ship begins and terminates its route in the defined coastal areas of sea port, where the harborage and port-owned land area is functionally combined

and specially is equipped for ships safe berthing, a different kind of its service and cargo operations.

On the sea port industrial activities are affecting the natural factors and phenomena, such as: its natural protection from the wind and waves at storm, piers and water depth, annual and seasonable navigation and more.

It should be noted that the main factors that cause the attention to Anaklia, is its natural deep water canyon that does not require the deepening, calm, less stormy coast, ice-free sea, the geo-strategic location. The construction of Anaklia port is an important priority infrastructure projects not only for Georgia but also for the Central Asia countries that do not have access to the sea, as well as those of Asian countries (e.g. China, India) with largest trade ties with Europe.

The industrial activities in sea port -related are largely dependent on the size of internal and external ports and their development level. With the port is related the inner region - hinterland, the area which formed the basic nomenclature and capacity of transported cargo. I.e. for the port represents a natural market that reflects the features geographical locations and economic and political realities.

The outside area of port - Forelands, is the port territory of another country, the outside zone, from which port is receiving or sending cargo by marine transportation. In contrary of hinterlands the forelands have limitless boundaries, as it can be included in arbitrary world port.

Anaklia, due its location and yet existing transport infrastructure, would have a very large hinterland and forelands with ferry lines through the Mediterranean Sea up to Europe and world ports. It has been a long time, as from Poti and Batumi ports, is operating direct ferry - railroad Crossings with Ilichevsk (Ukraine), Varna (Bulgaria) and the Kavkaz (Russia) ports, as well as with Novorossiysk (Russia), Burgas (Bulgaria) and Rize (Turkey) the Poti and Batumi ports are connect with motor transport - ferry lines.

In the universal sea ports are carried out a wide nomenclature of dry and liquid cargo processing and passenger transportation by passenger liners. Thus they are outlined by high level of cargo handling mechanization and automation, comfortable passenger stations and piers. In such ports are well-developed services in many areas.

The "Anaklia Port" as a construction megaproject of century, is planned to be built due the up-to-date achievements of science and technology in order match with the growing economic development of Asian countries (China share in Eurasia cargo makes up to 50 %) and to be competitive and attractive to carriers .

One of the largest world port of Rotterdam (Netherlands) due its cargo turnover is connected to sea by 19 meters deep artificial channel. It due its features represents a transit port, where massive cargo are handling from ships on river boats, as well as oil and oil products in oil pipelines. Rotterdam became the main port of the European Economic Community that contributed to an increase in its turnover, to reconstruct the port and water area. While natural waters at a depth of Anaklia port makes up to 20.5 m that gives the possibility to enter in port a having very large deadweight ships and the region has become as a special economic zone.

We should especially mention the fact that independently of this project is planned to broaden the Bosphorus Strait in order to increase the capacity that improves the Anaklia port's competitiveness and importance in the international market. The Anaklia port would be complemented by a

worldwide port with navigation regular base lines and specialized in one type of cargo that gives the possibility to reduce ships moorage time, reduce their processing costs, is widely implemented handling operations mechanization and automation. Some specialized port reaches a huge turnover. For example, the total turnover of oil port Mena-al-Akhmad (Kuwait) exceeds the Norway and Denmark combined turnover of all ports.

The modern specialized ports are serving as fuel and raw materials export. Worldwide are dominated the oil ports. For modern specialized ports are characterized reconstruction that is reflected in the large deepening port approaches and harborage for ships access by large tonnage ships maintenance, mechanization of cargo operations, development of railways approaches and motor roads, etc.

It should be noted that near the Anaklia, in Kulevi village, since 2003 is operating oil terminal that can process 10 million tons of oil annually. The Anaklia approaches give the possibility to receive a large tonnage ships and tankers due the ship safe movement and moorage in harborage is necessary for the ship to have a certain depth of water layer between the ships bottom and reservoir bed. In addition, in some areas of harborage the ship design draught is accepted by some reserve that is assumed due vessel types, sizes, movement speed, load and consideration of other factors that finally determines the depth of port. Anaklia naturally has these important technical features that do not require artificial deepening works

In addition, in adjacent of Ganmukhuri and Anaklia harborage has the sand – sludge bed that is an important technical feature for port impact and makes important impact on the port area levels that is measured from the lowest, so called design levels. This parameter is very important for ships to enter the port and placed on maps of the hydrographic of basin that is verified with long-term navigation

Providing an level marks are performed due the consideration of port loading intensity, ships design freight-carrying capacity and their moorage cost, price of sea floor deepening works. Due the current state, the moorage duration makes a significant amount, so the control of level marks is economically justified. The Anaklia port has a natural depth that does not require any deepening. This parameter adds a special value to the Anaklia - port!

The port area level or coast elevation on reservoir water level above the design level, is considered as one of the most important features of port. Its selection is stipulated due to the fact that at heavy sea would not be flooded port area by the sea waves, will be convenient the handling works and land transport normal operation. Anaklia belongs to the less wave ports, so port level is taken 2-3 m above the water level, when in the full-flowing and wave sea ports for lowering the approaches arranges the closed basins (London, Liverpool, Antwerp, etc.).

The annual turnover of sea ports is in the wide range - from thousand up to hundred thousand tons. The giant ports turnover makes above to 50 million tons (100, 200 million tons). Usually, the port's turnover is defined by international, not by domestic shipping.

The construction of Anaklia port represents a megaproject, whose real turnover, according to preliminary calculations, makes up to 100 - 200 million tons, which itself implies the largest revenues in the state budget. All parameters and orientation are pointing that Anaklia - Port will restore the new life in “Great Silk Road”.

It should be noted that Anaklia Port project has studied

the “Dubai port” (as was written in the mass-media), which intends to operate the business with the “Anaklia port”.

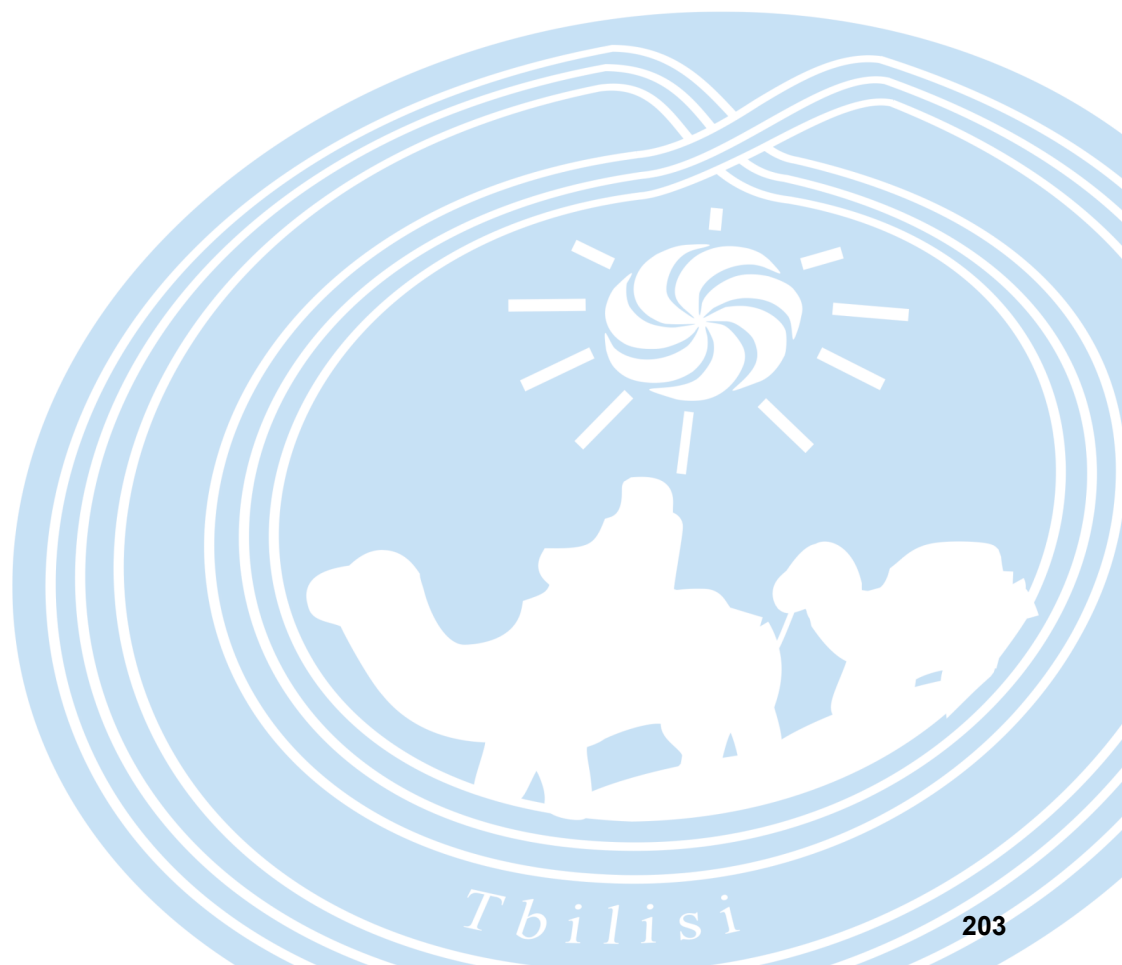
The increasing in maritime transportation capacity requires the improvement of ships physical and quality indicators, inn particular was increased their dead weight. For having large dead weight ships are required deep piers. Many developed sea countries are male large investing to artificially create such approaches. Georgia, in the Anaklian surrounding area, has a natural deep water canyon 20.5 m in depth, which does not require artificial deepening!

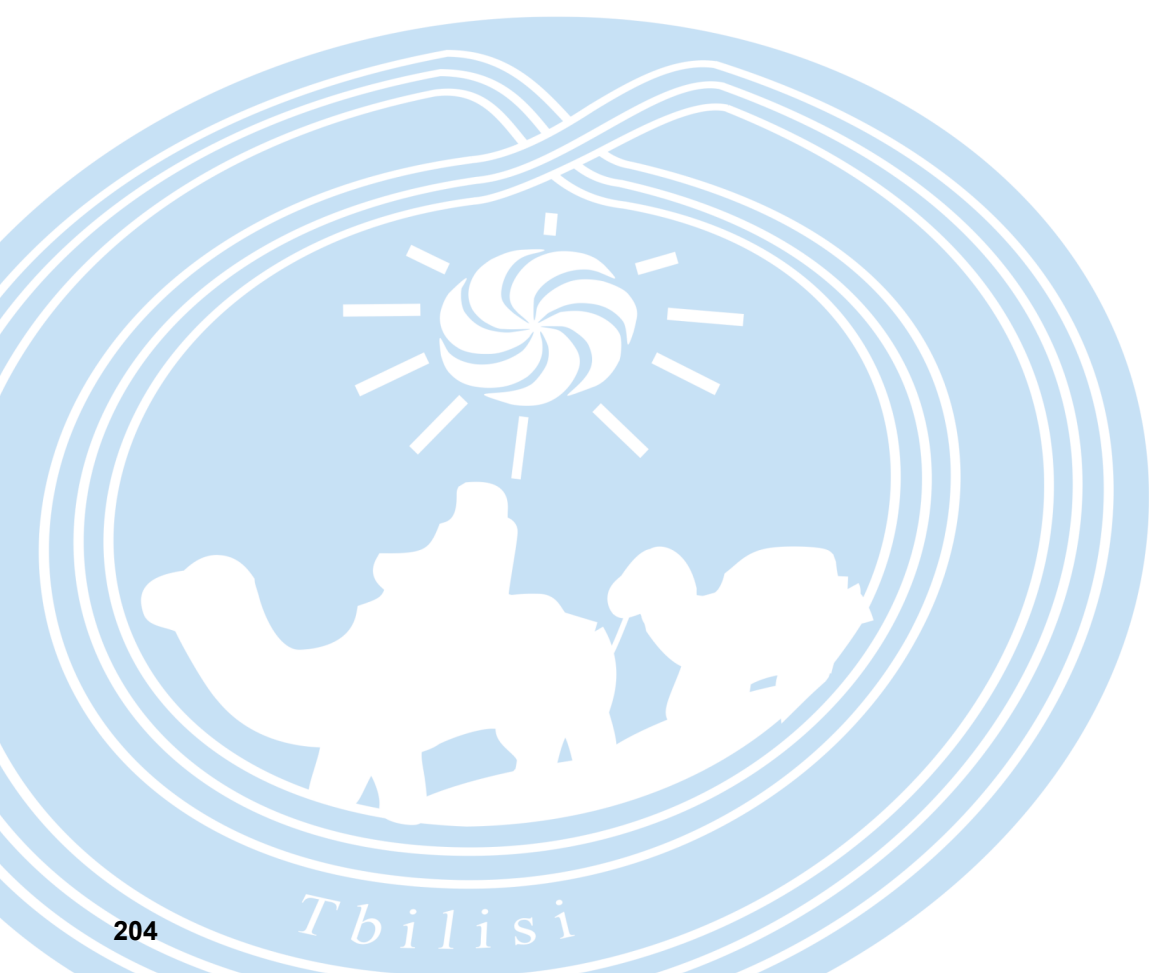
Nowadays Anaklian coast a unique opportunity was accentuated and planned by Georgia Government and has been invested in construction of a new port in this region, that will be very profitable for country and economically stimulates the growth, in addition with new life and energy will be start to operate “Great Silk Road” which is applied for the greatest European merchants and travelers, who were in constant amazement and connecting together Asia and Europe.





Educaiton





Studying Abroad: Bosnian Case

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Abstract

The purpose of this research is to compare and contrast the approaches of Turkish students who come to study to Bosnia and Herzegovina (BiH) in recent years. Currently there are two Turkish universities in operation, International Burch University and International University of Sarajevo in Sarajevo, the capital of the country. The study is focused on analyzing three factors. The first one is to identify the reasons that caused the students to study abroad and to choose BiH in particular. Comparing and contrasting the pros and cons of studying in Turkey and BiH in the eyes of those students who participate in the survey is second objective of the research. And finally framing the expectations of students from their home country Turkey and from the host country Bosnia would be the final outcome of this paper .

Keywords: Studying abroad; Turkey; BiH

Introduction

There are many reasons behind choosing abroad for studying in different levels of education. Furthermore, it is a very complex decision with preconditions and outcomes. This study is motivated to identify the perceptions of Turkish students who chose to have their undergraduate degree abroad in Bosnia and Herzegovina. Therefore, a survey based study is preferred as the data collection method. The collected data is analyzed descriptively; the results are presented and discussed at the end of the paper.

I. Literature Review

One of the visible outcomes of globalization is the increasing interest of students to go abroad for their academic careers. Researchers Paige, Fry, Stallman, Josic and Jon (2009, p.2) indicate that studying abroad is gaining throughout much of the world. In their extensive surveys, those researchers surveyed over 6000 individuals who had studied abroad over a period of 50 years. In their findings, they documented how study abroad has positively influenced global engagement in each of the five key domains used in this study: civic engagement, knowledge production, philanthropy, social entrepreneurship and voluntary simplicity. However, Salisbury, Umbach, Paulsen, and Pascarella (2009, p. 17) identified in their research that only diverse interactions and co-curricular involvement were significantly related to intent of students to study abroad.

Furthermore, previous studies have shown that study abroad benefits students in a variety of ways, including cross-cultural effectiveness (Kitsantas & Meyers, 2002), worldview formation (Carlson & Widaman, 1988), global perspective (McCabe, 1994), interest in travel, art, foreign languages, history, and architecture (Carsello & Greaser, 1976), and capacity for reflective thought, self-reliance, study abroad and intercultural sensitivity, self-confidence, and personal well-being (Kuh & Kaufman, 1984). (as cited in Fuller, 2007, p. 2,3)

In regards to cultural dimension of study abroad programs, Pederson (2009) points out that if intercultural effectiveness is a goal of study abroad, one needs to do much more than send students abroad to study. International Burch University (IBU) is implementing a selection process in their offices in Istanbul and in other major cities. They help the students to ensure their career ideals match the potential of IBU. They provide services that enlighten the students about Bosnian culture and living conditions. Jon (2009) claims that the more people understand cultural differences and accommodate them, the more developed they are regarded in intercultural sensitivity. As the great majority of the students come to Bosnia leave their home for the first time, the school administration intends to reduce cultural sensitivity to acceptable levels with the orientation programs and counseling services.

Since school officials need to work with in-coming students on the reflective process and intercultural understand-

ings of the study-abroad experience, Berg (2009, p. 11) states that those responsible for designing and delivering study-abroad programs should actively intervene to maximize student intercultural learning. In this paper, it is intended to create a process where students would have a chance of reflecting on the reasons for being and choosing Bosnian universities.

Amegago (2009, p.14) affirms that abroad programs have contributed to the broadening of students' awareness, strengthening international relations, building a harmonious society and the development of the human factor in students. Students made positive comments and expressed their enthusiasm of going back to the host country to conduct further study and visit friends. There are researchers such as Sato who state the downsides of intercultural interaction. Sato (2007) on one hand points out that human history has demonstrated, conflicts caused by cultural difference have plagued the world generation after generation, she also confirms that learning to appreciate cultural differences and similarities may be the process that will lead us forward.

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Since school officials need to work with in-coming students on the reflective process and intercultural understandings of the study-abroad experience, Berg (2009, p. 11)

states that those responsible for designing and delivering study-abroad programs should actively intervene to maximize student intercultural learning. In this paper, it is intended to create a process where students would have a chance of reflecting on the reasons for being and choosing Bosnian universities.

Amegago (2009, p.14) affirms that abroad programs have contributed to the broadening of students' awareness, strengthening international relations, building a harmonious society and the development of the human factor in students. Students made positive comments and expressed their enthusiasm of going back to the host country to conduct further study and visit friends. There are researchers such as Sato who state the downsides of intercultural interaction. Sato (2007) on one hand points out that human history has demonstrated, conflicts caused by cultural difference have plagued the world generation after generation, she also confirms that learning to appreciate cultural differences and similarities may be the process that will lead us forward.

III. Research Methodology

A survey based study planned in this research and it was conducted over the students who have chosen to have their education in Bosnia and Herzegovina (BiH) instead of their own country Turkey. The surveys were distributed by hand to more than 500 students. The content of the survey and the procedure to fill the survey are explained almost one by one to the target population. The target population consists of the students in two universities and two high schools. At the end, the survey was responded by 326 students. The results were evaluated by SPSS (version 18) program.

IV. Research Methodology

The majority of the respondents are male (63,5%). Almost all of the students are performing their undergraduate level studies (Table 1). The survey was responded by 326 undergraduate level students.

The respondents are from many Turkish cities. Mainly the students from Marmara region preferred BiH for their study. Very few students from Eastern Anatolia have chosen studying in BiH (Table 1).

Students ranging from the age of 17 to 30 have preferred to have education in BiH. However, they are accumulated between 19 and 24 (Table 2).

The students are agree that the reasons for preferring abroad to study are learning a foreign language, studying in a foreign language, having an abroad experience and accordingly achieving some advantages. However they are slightly believe that learning a different culture is among the reasons for abroad education. They are almost neutral on the statement that the Turkish Universities are expensive for an abroad education. Furthermore, they don't think that the education which Turkish Universities offer was poor (Table 3).

The respondents believe that choosing Turkey for their higher education is advantageous, since there is no adaptation problem, there is no communication problem with their families and friends, and they can understand the lessons better. However, they are suspicious about achieving schol-

Table 1: Respondents' hometowns in Turkey

Region	Code	Frequency	Percent
Missing		44	13,5
Akdeniz	AKD	14	4,2
Eastern Anatolia	EA	3	,9
Agean	EGE	15	4,6
Karadeniz	KAR	13	4,0
Middle Anatolia	MA	41	12,5
Marmara	MAR	176	54,0
South Eastern Anatolia	SE	20	6,1
Total		326	100,0

Table 2: Respondents' age distribution

Age	Frequency	Percent
17	1	,3
18	9	2,7
19	34	10,1
20	69	20,5
21	62	18,4
22	41	12,2
23	27	8,0
24	18	5,3
25	5	1,5
26	2	,6
27	2	,6
28	6	1,8
29	1	,3
30	1	,3
Missing	48	17,5
Total	326	100,0

Table 3: Students' Reasons for Choosing Abroad

Reasons for Education Abroad	Agreement Level
To learn a foreign language	5.62
The Universities in Turkey are very expensive.	4.14
To have the education in a foreign language.	5.47
To learn another culture.	4.81
The diploma from abroad gives me a lot of advantages.	5.42
To have an abroad experience.	5.66
The level of the education in Turkey is low.	2.94

Table 4: Perceived Advantages of Studying in Turkey

Advantages of Studying in Turkey	Agreement Level
There is no adaptation problem. I know the culture.	5.35
I can communicate with my family and my friends easily.	5.54
There are many scholarship opportunities in Turkey.	3.79
I can understand the lessons better in my mothertounge	4.96

Table 5: Perceived Disadvantages of Studying in Turkey

Disadvantages of Studying in Turkey	Agreement Level
I will be stranger to different cultures.	4.22
I will be stranger to different languages.	4.68
I will not have enough foreign experience.	4.99

Table 6: Perceived Advantages of Studying in BiH

Advantages of Studying in BiH	Agreement Level
Not so far from TURKEY	4.78
Cultural closeness	5.07
Education cost	4.89
The quality of the education	4.28
YOK equivalence	5.10
The cost of living is not so high	4.64
BiH is a European Country	4.05
The nature in BiH	4.86

Table 7: Perceived Disadvantages of Studying in BiH

Disadvantages of Studying in BiH	Agreement Level
There is too much procedure.	4.79
It is hard to learn Bosnian language.	4.64
Health sector is not good enough.	5.56

Table 8: Perceived Duties of Turkey for the Students Abroad

The Duty of Turkey for The Students Abroad	Agreement Level
Turkish Embassy and Consulate should make the work of the students in abroad easier.	6.12
They should provide some scholarship availability to the students.	6.22
They should do something to improve the studentsí security.	6.27
Preventing possible troubles and the necessary steps should be taken.	6.30

arship in Turkey for their education (Table 4).

According to the respondents, studying in Turkey is disadvantageous in terms of not having foreign experience and being slightly stranger to different languages. However, they are almost neutral that they will be stranger to different cultures, if they study in Turkey (Table 5).

As provided in table 6, the respondents believe that BiH is advantageous for studying, since it is not so far from Turkey, its culture is close to Turkish culture, the cost for education is reasonable, its YOK equivalence, it has low living cost and beautiful nature. On the other hand, they seem neutral in that there is a quality education in BiH and BiH is a European country.

Turkish students studying in BiH admit that BiH has a poor Health service. However, they slightly believe that there is too much procedure and Bosnian language is hard to learn (Table 7).

The surveyed students strongly agreed that Turkish Embassy and Consulate should take necessary steps to enhance the conditions in BiH for their citizens by making their work easier, providing some scholarship opportunities, keeping them secure, preventing potential problems (Table 8).

The respondents also strongly believe that responsible bodies in BiH should make the procedures easier, provide scholarship opportunities, and increase the security and students' living conditions in BiH (Table 9).

The respondents' agreement levels for the provided statements are presented in Table 10. It can be stated that the students slightly happy about studying and the conditions in a Bosnian university instead of another country university. They slightly feel the historical and emotional connection between Bosnian people and Turkish people. On the other hand, they highly agreed that they should represent Turkey in a best way (Table 10).

Conclusion

This study identifies the agreement levels of undergraduate level students for the questions in a developed survey. It is observed that despite the surveyed students considers the level of undergraduate education high in Turkey; they choose BiH in order to get abroad experience and to learn foreign language. They find Turkey advantageous to study but not disadvantageous in terms of given statements. However, they do not consider BiH as advantageous for studying (even it has some difficulties). They ask help from both Turkish and Bosnian government to decrease bureaucracy, provide scholarship, improve the security level and take necessary steps in order to reduce the probability of possible troubles.

This study may be useful for both governments in that it provides the considerations of students. Therefore, they may consider their actions accordingly. The universities whose students are surveyed may consider their operations and services and provide more comfortable learning and living environment for their students coming from abroad.

This work can also be considered as useful for the regional research in that there is no such comprehensive study in the literature specific to the location and that target group. We may suggest repeating similar researches for the same target population or other groups of students for future studies.

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Table 7: Perceived Disadvantages of Studying in BiH

The Duty of the Foreign Country for The Students Abroad	Agreement Level
The procedures for residence permission, visa, diploma equivalence, etc. should be easier.	6.30
They should provide some scholarship availability to the students	6.07
They should take necessary steps to improve the students' security.	6.30
The help to improve the living conditions for the students should be increased.	6.25

Table 8: Perceived Duties of Turkey for the Students Abroad

OPINIONS	Agreement Level
Studying in BiH is easier than studying in another foreign country.	4.39
Bosnian people love Turkish people.	4.49
The historical connection between us brought me to Bosnia.	4.16
I am satisfied with the conditions in BiH.	3.94
I am satisfied with the conditions in my current university.	4.10
A Turkish citizen living abroad should not forget that he/she represents Turkey and he/she should work as volunteer embassies.	5.57

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The Impact of EACEA TEMPUS Projects on the Institutional Development of International Black Sea University, Georgia

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Abstract

This article briefly looks at the contribution of EACEA TEMPUS projects in modernisation of education in general and, in particular, studies the impact of the TEMPUS projects International Black Sea University has partnered for its institutional development in order to raise awareness of the benefits HEIs in partner countries gain from EU based projects including the forthcoming Erasmus+ program.

The projects studied are MAHATMA (Master of Higher Education Management: Developing leaders for managing educational transformation) that promotes transformation of higher education management in Georgia and Armenia through the introduction of a new Master's programme and professional development courses (PDCs) in higher education management; LaMAN-CHE (Leading and Managing Change in Higher Education) that aims to promote the modernization of Partner Countries' (PC) higher education (HE) by building governance and management capacities at PC HEIs and initiating sustainable dialogue on HE reforms among relevant interest groups; and CASEDE (Developing Student Career Services in Georgia) that aims to improve Georgian students' employability by developing and implementing career education services (CES) in Georgian HEI and ensuring unbiased evaluation of CES, as well as wide dissemination and sustainability of the project results.

Keywords: TEMPUS, EACEA, Georgia, Higher Education, CASEDE, MAHATMA, La MANCHE

I. Background

"TEMPUS is the European Union's programme which supports the modernisation of higher education in the Partner Countries of Eastern Europe, Central Asia, the Western Balkans and the Mediterranean region, mainly through university cooperation projects" (EACEA, 2014b).

The TEMPUS programme will not announce calls anymore because it has been replaced by Erasmus+ in 2014.

As EACEA has mentioned in its web site, The TEMPUS programme has succeeded in bringing the European expertise and mainly the human resource of the higher education institutions of the (neighbouring) partner countries for collaborating on structural development and institutional modernization. Participation in projects has surely been voluntary, but the HEIs in partner countries felt obliged to strive in joining the projects because of the changing conditions in higher education, and the prestige they could gain by participation.

The basic idea in TEMPUS programme was to bring institutions together for modernization, paying more attention to people-to-people activities. As people would play the key role in institutional modernization, it is not surprising to see

a great amount of funding allocated for travel to and from EU countries. The travels also led the way to bilateral agreements which increased the impact factor of the TEMPUS projects.

It must be because of its significance that it was the longest lasting EACEA programme that started in 1990 and finished in 2013 covering 6 phases. The EU expertise has been a beneficial source for development for the partner countries whose "higher education institutions are currently facing major challenges linked to (i) dramatic demographic changes (number of people potentially having access to higher education, age structure, migration flows), (ii) increasing global competition, leading to a considerable shift in the distribution of the economic power at world level, (iii) changes in science and technology but notably the growing importance of organisational and societal innovation rather than purely technological innovation and last but not least (iv) challenges of societies in transition (social cohesion, human rights, etc.) (EACEA, 2014a).

TEMPUS projects targeted at upgrading the education offered at partner countries, establishing more bridges with

the business world, capacity building, increasing employability of graduates, and develop a mutual understanding between the countries involved in the projects.

II. IBSU's Present Projects

As provided in Dr Glonti's work, there have been 77 TEMPUS projects carried out in Georgia (by 2013) involving 49% of the Georgian HEIs. International Black Sea University (IBSU) partnered in three projects in TEMPUS IV - 5th Call (Glonti, 2014).

II.1. MAHATMA

Master of Higher Education Management: Developing leaders for managing educational transformation -

530311-TEMPUS-1-2012-1-AM-TEMPUS-JPCR

Project Coordinator: Armenian State Pedagogical University, Armenia.

Project Duration: 2012-2015 – 3 years

Project Participants: Armenia: Armenian State Pedagogical University, Armenian State University of Economics, Goris State University, Ministry of Education and Science, ANQA (National Center for Professional Education; Georgia: International Black Sea University; Ilia State University, Akaki Tsereteli State University, Shota Rustaveli State University NCEQE (National Center for Education QE); United Kingdom: Bath Spa University, Middlesex University; Czech Republic: Masaryk University; Germany: Koblenz-Landau; Italy: Centro Studi ed Initiative Europeo, State Pedagogical Institute of Vanadzor; France: Centre International d'Etudes Pedagogiques se Sevres)

Objectives

MAHATMA's wider objective is to promote transformation of higher education management in Armenia and Georgia through the introduction of a new Master's programme and professional development courses (PDCs) in higher education management.

The specific objectives evolve around the enhancement of the institutional capacity to implement the new Master's programme/PDCs (teaching and learning and management of the programme; as well as the promotion of a dialogue between the education stakeholders through establishment of a Professional Association of Educationalists leading to system transformation activities.

IBSU has a Master's Program in Education Management running which has been modified into a Master's program of Higher Education Administration. As the running program (awarded degree - Master of Education - Education Management Program) was accredited on February 1, 2012 for five years by the National Center for Educational Quality Enhancement, those who wanted to study at the new program were registered to the current program, but, as soon as the new program was accredited, they were transferred to it by mobility (an official term that means 'transfer'). The program includes best students' 2-week educational visit (at the expense of the project) in partner countries. The students will go to Bath Spa University (UK). To write a Master's dissertation in the last (fourth) semester, students will have both a local and an international supervisor.

During the spring semester 2012/2013 the new syllabi were developed, with a special accent on learning outcomes (LOs), then the program was prepared. A research for working out LOs was held, and the results were published in IBSU Journal of Education. Trainings of academic personnel were held in Sevres (France) and for administrative personnel in Palermo (Italy), followed by an in-house training held by the trained personnel. Books and equipment were purchased.

Mahatma events during the 2013/2014 first semester covered the following:

- Procurement of books, software and equipment for the project via tender – by September;
- Training kits for academic and administrative staff were prepared;
- Trainings for academic and administrative staff were held (10, 12, 17, 19, 24 and 26 September);
- Student kits in two languages – English and Georgian – were prepared, provided to students during orientation;
- Orientation program was held on September 30 – October 4;
- Lecture evaluation by the staff responsible for quality assurance and the program coordinator;
- Preparation of attendance reports;
- Reports on coordination meetings.

II.2. LaMANCHE

Leading and Managing Change in Higher Education

530621-TEMPUS-1-2012-1-BG-TEMPUS-JPGR

Project Coordinator: International University College, Bulgaria

Project Duration: 2012-2015 – 3 years

Project Partners: Bulgaria: International University College; Armenia: Armenian State Agrarian University, Gavar State University, State Engineering University of Armenia, Yerevan State University; Belarus: Belarus State Economic University, Belarusian Trade and Economics University of Consumer Cooperatives, P.O. Sukhoi State Technical University of Gomel, Vitebsk State Technological University; Georgia: Caucasus University, Gori Teaching University, International Black Sea University, Ivane Javakhishvili Tbilisi State University; Moldova: Comrat State University, Moldova State University, State Agrarian University of Moldova, Alecu Russo Balti State University; Ukraine: Cherkasy State Technological University, Volodymyr Dahl East Ukrainian National University, National Technical University Kharkiv Polytechnic Institute, Lviv Academy of Commerce, Lutsk National Technical University, Lviv Polytechnic National University, Odessa National Economic University, Greece: University of Thessaly, France: AgroSup Dijon; Portugal: Instituto Politecnico De Bragança; United Kingdom: University College Birmingham.

Objectives

The project's overall objective is to promote the modernization of PCs' higher education (HE) by building governance and management capacities at PC HEIs and initiating sustainable dialogue on HE reforms among relevant interest

groups.

Specific objectives are

- to map out existing leadership skills and governance models at PC HEIs in view of identifying training needs;
- to analyse locally developed good practices of dealing with modernization-related change at the institutional level;
- to transfer good governance and change management practices from EU HEIs to PC HEIs;
- to build the transformational leadership capacity of senior managers at PC HEIs;
- to promote transnational networking and joint problem solving among experts, managers of PC HEIs and other key stakeholders in HE, as well as to stimulate students grass-roots leadership initiatives;
- to develop and uphold a context-sensitive strategy for managing modernization-related change in HE in the PCs.

II.3. CASEDE

Developing Student Career Services in Georgia

530566-TEMPUS-1-2012-1-LT-TEMPUS-SMGR

Project Coordinator: University of Vilnius, Lithuania

Project Duration: 2012-2014 - 2 years

Project Partners: **Lithuania:** University of Vilnius, Ernst and Young Baltic; **Hungary:** Corvinus University; **United Kingdom:** University of Essex; **Georgia:** Tbilisi State University, Akhaltsikhe State Teaching University, University of Georgia, Shota Rustaveli Batumi State University, International Black Sea University, Ministry of Education and Science, Shota Meskhia Zugdidi State Teaching University, Telavi Iakob Gogebashvili State University.

Objectives

The wider objective of the project is to improve Georgian students' employability by developing and implementing career education services (CES) in Georgian HEI and ensuring unbiased evaluation of CES, as well as wide dissemination and sustainability of the project results.

The following specific objectives have been formulated for achieving the wider objective of the project:

- To prepare methodological and IT tools for providing CES for students at Georgian HEI;
- To train the staff of Georgian partner HEI to provide CES for students;
- To implement pilot CES for students at Georgian partner HEI;
- To explore possibilities for CES implementation at all Georgian HEI;
- To organize dissemination of the project results in periodical press, at the website and using other dissemination channels.

III. Discussion

III.1. Benefits in Institutional Development

TEMPUS has acted as a motivating force for internationalization, networking, educational quality, and capacity building at IBSU.

MAHATMA, for instance, contributed to development of a master's program in Education Sciences at IBSU. The implementation process was easy because "in the new cycle we, of course, did it quicker and easier, benefitting from the old version of the program." (Doghonadze & Pipia, 2014). The international flavour that came into the syllabus through the TEMPUS project made the programme more attractive for student candidates for enrolment. Now, the program is in its second year, and going on successfully. The project helped train the faculty members in IBSU both in Georgia and abroad, thus contributing to capacity building.

Gathering at coordination meetings and trainings do not only bring about capacity building but it also helps expanding the IBSU network for further collaboration not only in education management, but also in other areas of mutual interest.

The fact that IBSU has now more EU partner institutions is a very satisfactory result, but it must be of same importance that TEMPUS helped develop strong ties with local universities, too.

Being a Bologna process member, IBSU experienced the EHEA first hand through the TEMPUS projects, turning theory into practice. The contacts revealed that both EU universities and PC HEIs share similar problems and benefits of the process, and that they could collaborate in problem solving.

Developing project management skills is one of the many side-benefits that EU TEMPUS projects provide the partner countries with. The skills gained can easily be adapted to additional EU based projects as well as other international and/or national ones. The IBSU staff, starting from the institutional coordinators, benefited a great deal from their positions in the projects in terms of project management skills as part of their professional development.

Internationalization of the HEIs has been a trending issue in the world, and the constructive role of TEMPUS projects is undeniable in this regard. Visits paid to EU HEIs provided the IBSU staff with a broader vision of the educational situation in EU and offered invaluable expertise in the ability to compare and contrast EU and Georgian present and future cases of education.

Through constant quality control from the project coordinators, Ministry of Science and Education (if involved as a partner), the National Tempus Office, and all the stakeholders produced a more quality education as a result.

CASEDE, in this regard, helped re-establish the IBSU Career Services through a modernized approach. IBSU obtained up-to-date resources and modern books through the project, and has had the chance to see already-well-established systems in countries like UK, and get hold of guidelines from Vilnius University (the project coordinator) which founded the career services right from scratch based on EU know-how. It was, therefore, very beneficial to see both the running system, and receive first-hand assistance from the institution who experienced all the ups and downs of the establishment process. CASEDE not only united HEIs, but also brought the educational institutions and the business together to be able to discuss what the graduates must be equipped with in order to increase their employability skills.

CASEDE has been a source of inspiration, as well as a sound provider of all the elements needed in the arduous course of setting up career planning services. IBSU has enjoyed the training of two staff members to offer three groups of students pilot career services. Although the aim is improving career services, CASEDE helped update IBSU's vision and mission by focusing more on students' career planning needs, thus updating the rules and regulations, and its strategic management goals. It is now IBSU's one of the strategic aims to raise awareness on employability skills of the future graduates.

With regard to strategic management and the implementation of all due changes, LaMANCHE came to help in terms of leading the way to a successful change. The vital trainings offered, case studies made both at IBSU and in other partner institutions contributed to the solution of the problem on "how to manage the change in the institution". Despite the large number of participating HEIs, the results achieved in a year is quite striking. LaMANCHE removed IBSU's hesitation of whether to implement a total quality management system or not, and the trainings encouraged the management to start a TQM system at the institution. The decision has led IBSU to revise its rules and regulations; its vision, mission, and strategic goals, as well as triggered the decision to obtain an international quality certification after the preparations have finished. LaMANCHE, in this sense, has become a driving force for institutional change.

As a results of interactions with other universities in LaMANCHE gatherings, it is pleasant to see that IBSU has already started student exchange with IPB in Portugal in a very short time, too.

III.2. Drawbacks and Limitations

Although TEMPUS projects aim at capacity building, participating institutions need to have a few skilled staff at first to start the projects. Advanced knowledge of the project language is a must in order to carry out project duties.

At least one trained accountant is required in order to meet official financial requirements and budget tracking. The accountant must also be knowledgeable in terms of registering projects at the Ministry. His/her foreign language level should be enough to understand financial obligations and related regulations.

Commitment of the university administration is one of the top requirements for successful project management. The staff involved in the projects should be able to receive enough support for balancing their workload accordingly. The paperwork can sometimes take much time of the staff; so, the administration should not be asking more during the project lifetime. Both the university administration and the staff should have the understanding that the project is not only for one party's interest, but for the whole university in general.

Commitment of the staff, on the other hand, is what can easily define the fate of the project, making it a big success, or a failure. The staff who are involved in the project, therefore, should see their interest in the institution's interest seeing themselves accountable for each task in the project.

The university must be able to man a position when a certain staff member has to leave the position for some reason. Therefore, the university should be able to ask the staff to regularly file the developments in the project both electronically and in hard copy.

Conclusion

EU TEMPUS projects have been valuable sources in the process of changing for better in the course of modernization at IBSU. The positive role of the projects can be summarized as follows:

- Capacity building at all levels;
- Contributing to professional development;
- Expanding the IBSU academic and societal network;
- Internationalization;
- Further integration with the EHEA;
- Gaining project management skills;
- Improving educational quality;
- Setting up new post-graduate programs.

Further study

We believe further study could be done on how to improve the project management process with the help of information technologies using the expertise gained both at EACEA and the HEIs of the partner countries participated in the TEMPUS projects.

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Detecting Dimensionality and Identifying Quality of a Course Using Principal Components Based Regression Analysis

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Abstract

In the educational institutions, quality of a course and increasing the quality has essential role and importance. In last decades different methodologies are used to detect the quality of a course. Here based on the previously implemented courses" prerequisites", relation among an actual course and those parallel courses are analyzed. On the strength of multivariate data analysis methods using theory of conditional expectation, regression coefficients are determined with respect to principal components. Generated low correlated data is used in the empirical study. Contributions of impacts of regression coefficients are identified accurately in distinct cases. According to desirable pattern model which is described by experts, comparison of actual model and pattern model is realized. Acceptable closeness of each of the contributions of hidden dimensions and total impacts of those contributions are determined by test of significance. Based on the dimensionality of a course quality of that course is determined and interpreted.

Keywords: principal components, test of significance, multidimensional regression analysis, and prerequisite course

Introduction

"Students come to formal education with a range of prior knowledge, skills, beliefs, and concepts that significantly influence what they notice about the environment and how they organize and interpret it. This, in turn, affects their abilities to remember, reason, solve problems, and acquire new knowledge" (Bransford, J. D.; Brown, A. L; Cocking, R., 2000). According to previous researches (Roschelle, 1995; Strangman, N. & Hall, T., 2004) there should be reasonable relations between prior knowledge and new knowledge. New knowledge rises on the base of previously gained knowledge. Here it is considered that a good quality course has adequate relation with the previously implemented courses and corresponding examinations "prerequisites".

This relation can be analyzed using those prerequisites and examination of currently going on course. Prerequisite examinations are considered as dimensions of current examination and they are used to detect dimensionality of actual course. Adequateness of transformation of prior knowledge is examined according to "closeness per each dimension" and "closeness in whole".

Focusing on three different cases, comparison of actual model and required pattern model, detection of all cases from the closeness, acceptance point of view is the purpose of the study. In that manner, acceptance level of the actual model is determined on the strength of comparison of esti

ated and desirable inner coefficients and comparison of total impact of those inner coefficients with respect to t-test. Results of the analyses are used to identify and interpret quality of a course from the dimensionality point of view.

I. Methodology

Normally distributed low correlated realistic examination scores are generated with respect to control parameters " $F_{up}, g_{up}, F_{low}, g_{low}$ ". According to upper and lower groups, based on those control parameters standard deviation β is calculated as 22.22 and mean μ is found as 62.34. Using those β and μ within the cumulative logistic distribution function each probability is determined for each of the grades from zero until 100. Latter, with respect to defined probabilities possible grades of students are determined for 200 students by random number generator in Microsoft Excel. Therefore normally distributed grades are obtained with respect to mentioned constraints and normality of those variables is presented with their histograms. Eventually, based on the prerequisite 1 second prerequisite is designated as low correlated.

Empirical Study and Findings

Impact of the prerequisites is predefined as desirable coefficients with respect to experts' opinion. Desirable contributions of internal dimensions of pattern model are defined as $\alpha_1^0=0.15$, $\alpha_2^0=0.2$ for the prerequisite 1 and prerequisite 2 respectively. Thus, desirable total impact in actual exam is 0.35.

For the detection of implicit dimensions regression coefficients are described by $\beta = \Sigma_{12} \Sigma_{22}^{-1}$. In this context, first normality of distribution of grades of prerequisites X_1, X_2 is examined to apply statistics based on Gaussian distribution. Their normality is represented below by histograms in figure 1 and figure 2

Low correlation between these two prerequisites is illustrated by scatter plot (see figure 3). Correlation between them is approximately 0.20 which is the indicator of low correlation.

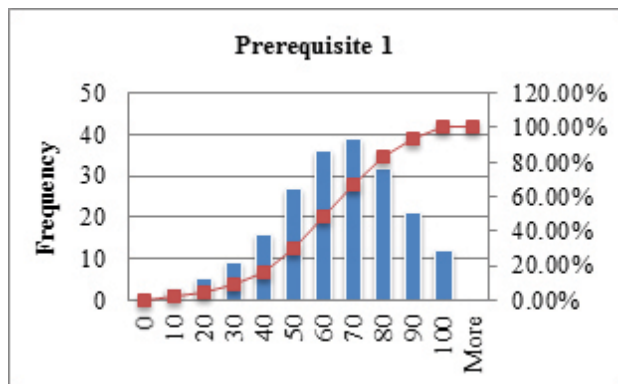


Fig.1: Normally distributed grades of prerequisites 1, illustrated by histogram.

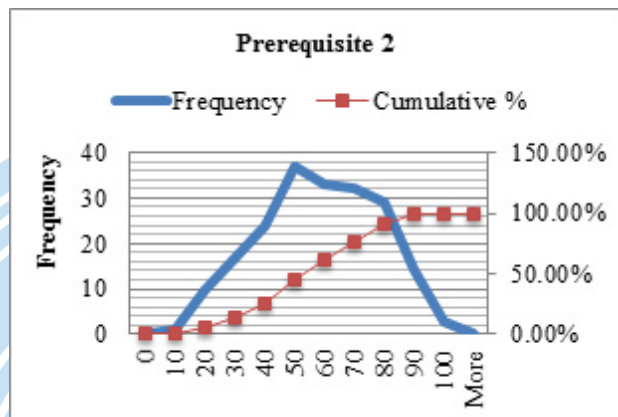


Fig.2: Normally distributed grades of prerequisite 2.

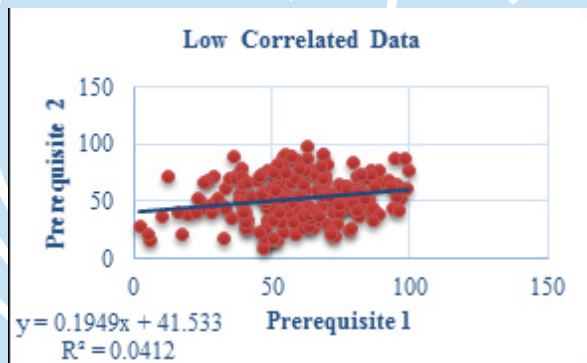


Fig.3: Scatter plot of low correlated two prerequisites.

II. Comparison of Actual Model and Pattern Model in Low Correlated Data

Experimental Study I:

In this case study, principal components (Shlens J., 2003) are determined by singular value decomposition for matrix of low correlated two prerequisites X_1 and X_2 . Instead of direct usage of prerequisites principal components are preferred to analyze effects of those components in determination of regression coefficients. We obtain another basis that is a linear combination of the original basis and that re-expresses the data optimally (Richardson, M., 2009) via principal components.

Therefore, principal components based multidimensional regression analysis (Ergüven, M. 2012) is done. Using the fundamental assumptions of conditional expectation (Anderson, T., 1958) contributions of internal dimensions are determined. It is found that first principal component can explain 95% of the variability in prerequisites.

Using one of the association matrixes (Gentle, J. E., 2007), Inner Product Matrix (IPM), of the system of vectors of actual exam grades and principal components, it is possible to define contributions of the implicit dimensions with respect to sub matrixes Σ_{12} and Σ_{22} . Here, IPM is obtained as:

$$\Sigma_{IP} = \begin{bmatrix} 140631.83 & -442445.08 & -3262.93 \\ -442445.08 & 1396231.61 & 0 \\ -3262.93 & 0 & 67426.59 \end{bmatrix}$$

Σ_{12} is found from the first row of the above IPM; Σ_{22} is simply determined as inner product of L^T and L , where L is the vector of singular values and diagonal elements of L are 1181.623 and 259.66. Hence, $\Sigma_{12} \Sigma_{22}^{-1}$ gives β^T and regression coefficients of principal components (PCs) are found as -0.3169 and -0.0484.

Using right singular vector matrix "V" and regression coefficients of PCs, estimated contributions of impacts of implicit dimensions (regression coefficients) are obtained by $V\beta$ as 0.2028 and 0.2482.

In the next parts for simplification, calculation process of coefficients of regression is done directly by MatLab code on the strength of multivariate data analysis procedures. After that with regard to comparison of estimated and desirable inner dimensions detailed analysis of the acceptance of the closeness of those coefficients are represented in the subsequent below part.

Desirable coefficients are determined in the pattern model as $\alpha_1^0=0.15$, $\alpha_2^0=0.20$.

Sum of squared residuals is used to determine mean squared error for degrees of freedom 197. Beside the error term, to represent the closeness of both pattern and actual model the following covariance matrix of prerequisites is obtained.

$$\Sigma_X = \begin{bmatrix} 423.363867930915 & 78.4741277061488 \\ 78.4741277061488 & 411.615452512560 \end{bmatrix}$$

While covariance matrix is seen above as Σ_X and mean squared error is 1.3686, t-values are found as 0.9211 and 0.8291 respectively with regard to estimated and pre-defined alpha coefficients. According to the t-critical value 1.6526 those t-values show that both impacts of estimated implicit dimensions are acceptable for degrees of freedom 197. Because, the t-values do not exceed the t-critical value at the significant level of .05, therefore, we fail to reject the null hypothesis which is the difference between estimated and desirable regression coefficients is zero.

Besides, when we compare the closeness of the total impacts of both estimated and desirable inner dimensions, t-value is found as -1.2371. This value again indicates that since absolute value of -1.2371 does not exceed the t-critical value the closeness is reasonable.

Effects of prior knowledge require a change from the view that learning is absorption of transmitted knowledge, to the view that learning is conceptual change (Resnick, 1983; Champagne, Gunstone, & Klopfer, 1985). Learning to occur through a transformative, restructuring process can be expected that produces integrative wholes that coordinate pre-existing parts. Refinement and restructuring occurs incrementally and gradually; conceptual change is hard work and takes a long time (Roschelle, 1995). Prerequisite examinations and actual examination are used in the elaboration of adequateness of transformation of prior knowledge.

Actual model on the strength of two prerequisites and the current course itself can be determined as three dimensional since distribution of regression coefficients are in balance. In this manner, it is indicated that, actual model does not consist and measure only one of ability and it does not concentrated on one dimension. Thus, current state can be considered that implemented course has adequate quality with regard to the appropriate utilization of broad perspective of background knowledge connected with prerequisites and its transformation.

Experimental Study II.

In the education process different situations can be faced when the focus is the quality of a course. Beside acceptable, adequate actual courses, insufficient implementation of courses also can be found place in the education cycle. Different scenarios are taken into the consideration with respect to the experts' opinions, to represent effectiveness of our proposals and here undesirable (unqualified) case is researched.

In the actual examination, estimated first regression coefficient is found " $\alpha_1=0.2024$ " and with respect to the first t value "0.9211", share of the prerequisite 1 is acceptable. However, according to the second internal estimated dimension $\alpha_2=0.3478$, t-value "2.5633" is larger than t-critical value "1.6526" for the degrees of freedom 197, thus situation cannot be explained as randomness, and contribution of the prerequisite 2 is not acceptable so, our null hypothesis should be rejected. Desirable coefficients and estimated ones are not close to each other.

While total impact of the two prerequisites is 0.35 in the pattern model, total impact of estimated coefficients of inner dimensions in the actual model is 0.5502 and these results are very far from each other. Using covariance matrix of prerequisites X, and mean squared error 1.3686 for degrees of freedom 197, t-value is found as -2.4720 and it is greater than t-criterion value "1.6526", therefore, such actual examination cannot be considered as acceptable model on the strength of the total impacts of estimated coefficients and pattern coefficients too.

This situation affects the quality of the actual course. Because almost 35% of the second prerequisite allows explaining the current exam, this case can be considered as the indicator of the lack of the transformation of new knowledge which should be given in the current semester. It may be interpreted that actual examination significantly depends on the old taught knowledge in the previous courses since total sum of implicit coefficients are approximately 0.55. This case depicts that new course has high relation with background knowledge. From the quality point of view a course should increase the capacity of students; however it can be interpreted that given sample course does not satisfy such condition adequately.

Experimental Study III.

In the previous two cases different possibilities are discussed. Additionally very important a new scenario is elaborated in the third case. According to the new data the following results are obtained.

T-values are found as -1.7172 and -2.1192 with regard to prerequisite 1 and prerequisite 2 respectively. Both of them are greater than t-critical value and there is distinctive difference between expected inner contributions α_1^0 , α_2^0 and estimated coefficients $\alpha_1=0.0524$ and $\alpha_2=0.0778$ respectively. Meaning of those estimated regression coefficients is that effects of both prerequisites are *very weakly observed* in the actual exam.

While in a qualified course the expected impact of a prerequisite is determined 15% ($\alpha_1^0=0.15$), if contribution of a prerequisite is very low (almost 5%) like faced above ($\alpha_1=0.0524$), that situation can be interpreted as *lack of usage of pre-knowledge or lack of connection among pre-gained and current knowledge*.

It is given that $\alpha_2^0=0.20$ but estimated contribution is evaluated $\alpha_2=0.0778$ for prerequisite 2. According to those coefficients, t-values are getting as -1.7172 and -2.1192, and both exceed t-critical value (1.6526). Hence, in the current course relation between background information and new one is not observed sufficientl .

Furthermore, total impact of those estimated contributions of inner dimensions is approximately 13% and expected total impact was determined as 35%. According to test of significance, actual model and pattern model are very far from each other from the total impact analysis point of view with regard to t-value (2.7146). Thus, such actual model can be interpreted as not acceptable and allowable. It can be concluded that, the actual course highly concentrated on one dimension, "course itself".

Conclusion

As it was mentioned previously both prerequisites and actual exam itself are based on the similar and parallel abilities. They are considered in the same frame work of courses. In this sense, relation between the courses is obvious from the pedagogical point of view. According to the assumptions of Item Response Theory ability of a student is invariant (Hambleton, R. K; Jones, R. W. (1993) for the particular time. In general, "if the conditions of the exams and level of teaching is reliable" when a student is successful /unsuccessful in a course, the same student should be again successful/ unsuccessful in the similar and connected topics or corresponding new course. This approach can be generalized to a group of students as well.

Thereby, relation between current course and back-

ground courses can be analyzed based on the exam results of those courses. Usage of pre-gained knowledge is important to increase the level of a course because new knowledge and new talents are constructed on those bases. Inadequate level of education process does not consist of those bases. Reflection of prerequisites should be observed in a good quality exam. Therefore, comparison of qualified course and actual course is done. According to the empirical study adequateness of closeness of both courses are detected with respect to each of the prerequisites (dimensions) and based on the total impact of prerequisites. Obtained results can be used to determine dimensionality of a course and to give opinion about quality of an ongoing course to control and increase the level of education.

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Attention Deficit and Hyperactivity Syndrome Identification and Strategies

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Abstract

Modern teacher must be ready to work with ADHD pupils. He should be familiar with and practice using a variety of teaching methods. He should be able to select different strategies, take into consideration the child's individual abilities and plan for active participation and implementation.

Government should hold more seminars in order to develop teachers qualifications. All children with attention deficit and hyperactivity syndrome is different, it is important to remember that there is no single, unified training strategy that will be effective for all children.

Keywords: Identification, modification, strategies, unified

Introduction

The clinical term attention deficit and hyperactivity came in the mid-twentieth century, when doctors found a general name for diseases that were previously called "minimal brain dysfunction", "learning / behavioral disturbance" or "hyperactivity". The researchers believed that this disease was referred to earlier in different contexts.

In 493 BC, a doctor-scientist Hippocrates describe the condition, which - like ADHD. He described patients who had had a "quick reaction to sensory irritation "but with less strength, because the" soul "was quickly transferred to other impressions." Hippocrates explained the situation "in violation of fire and water balance". In his opinion, the balance to take barley instead of bread, meat - fish, also intake a large amount of liquid and do constantly a lot of physical activity.

Study of disease has about 168 year history. Attention deficit and hyperactivity syndrome first were described in 1845 by German doctor, psychologist and poet Heinrich Hoffman (1809-1894) in his poem "The Story of Fidgety Philip". He describes the child's behavior, which today might be called ADHD. In 20th century two pediatrician George Frederic style (1902) and Alfred Kanner (1908) wrote about the children who were emotional, they insist that these kids were sick, abnormal and defective. They believed that it was their biological and organic disease and not the product of an unhealthy education and teaching. This followed public discussion and this continuous even today.

I. What is attention deficit hyperactivity syndrome and ADHD

Attention deficit and hyperactivity syndrome is diseases which are in common mainly in children. They are Neurobiological and behavioral violation. It is spread much more

in boys than in girls. The rate of 4:1. In the population it is spread of 3-5%, according to some researches 2-12%. The syndrome mainly appear at an early age to 7 years, but in most cases the diagnosis is made when the children enter the school environment. The teacher, who has extensive experience in communicating with children are often the first who notice symptoms of attention deficit and hyperactivity. In Tbilisi was held survey in order to see how many children have this kind of diseases. In the survey interviewed from 1043 children they found attention deficit hyperactivity diagnosis 26 children (20 boys and 6 girls). Attention deficit and hyperactivity syndrome frequency in Georgian population at the age of 6-7 years is 2.6%.

II. Diagnosis of attention deficit and hyperactivity syndrome

ADHD diagnosis is a quite difficult issue. There is no only one unified universal method for the diagnosis of attention deficit and hyperactivity syndrome. Wrong diagnosis can lead to bad consequences. Attention deficit and hyperactivity syndrome symptoms may look like other morbid disease and also may have a completely normal healthy children, which further add to the risk of wrong diagnosis. They can be confused with active kids who can't stop talking or moving to expose their knowledge. Moreover, primary school children, especially boys are very active. Also it is widely used teacher rating scale - Conners' Teacher Rating Scale (CTRS), for diagnosis of ADHD Konersis Keith, which was set up in 1969, It reveals the characteristics of the child's behavior at home and at school, it is filled by teachers and parents. Using scales allows the researcher to rely not only on clinical impression, but to objectively and accurately assess a child's behavior, which provides to assess the behavior in many different way. Konersis questionnaires are widely used all over the world, with Taylor and Akhenbakhis schools.

III. In the classroom children with attention deficit and hyperactivity disorder

In order to create a favorable environment in the classroom for the children with attention deficit and hyperactivity syndrome, the teacher must consider the following issues: understand the characteristics of attention deficit and hyperactivity syndrome. Recognize that you need some changes; Create conditions for free movement; create suitable Materials to use in class; Divide lesson into small parts.; Keep a record.

IV. Effective involvement of children with ADHD in the educational process

Necessary preparation: Place: sit away from the window or make them sit in front of your table.

Information: Give only one instruction at one time, and if necessary repeat it. If you can it's better, to work on a difficult material in the morning; Use of visual material: charts, pictures, colored markers.

The student's work: the assignment must be done in a quiet and comfortable environment; Use the instructions in short, understandable phrases. Teachers should assess Students easier for them form (oral quiz or test type exercises); In order to guess comprehension of the information given on paper, Show pupils how to use a bookmark or ruler; Give pupils the opportunity use a computer while doing a task, as much as possible.

Organizing: It is better to have bag, which they put their stuff Make an agreement with the parents about systematic exchange of information form (use student's diary, notebook entries, Cards). Give pupils enough time to create a bookmark for homework; Make sure that the student is able to do tasks and proper notes for homework. Successful work with children who have ADHD involves the teacher's use of three-main strategy: to be measured at the individual needs of the child. These strategies involve the learner's individual learning plan which should be developed and integrated into all the other students program which are used for educational activities.

V. ADHD learning strategies

Plan lesson earlier.; Review previous material; Set clear expectations for the lesson; Formulate Rules of Conduct; Determine the required materials; Provide additional materials; Simplifying instructions; Be predictable; Encourage student involvement; Use of audio - visual material Help students to realise their mistakes ; Divide the work into small parts ; highlight the main tasks ; Use group learning strategies; Manage noise level .encourage use of positive behavioral strategies ; Be consistent and fair while giving feedback. ; Give your child the opportunity to go out; Establish visual communication; Teach social skills - skills; Choose the right place; select school furniture in right way.

Conclusion

Government should held more seminars in order to develop teachers qualifications
All children with attention deficit and hyperactivity syndrome

is different, it is important to remember that there is no single, unified training strategy that will be effective for all children.

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The Role of Quality Assurance in Higher Education System of Georgia

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Abstract

The paper analyzes the influence of Quality Assurance System on the crucial changes that have occurred in Georgian Higher Education area since 2005, when Georgia officially joined the Bologna Process on Bergen Summit. The Quality Assurance became the main tool mechanism for formation of internal educational quality system and implementation of external mechanisms, insuring the further development and sustainability of Higher Education Institutions. Georgia has already introduced the majority of tools envisaged by the Bologna Process. The rate of implementation of Bologna principles is very rapid and significant. Observations show that among the difficulties following the process of implementation the most difficult seems the mental transformation of main actors of ongoing reforms.

Keywords: quality assurance, Georgian Higher Education, the Bologna Process, sustainability, mental transformation, reform

Introduction

Since May 2005, when Georgia joined the common European Higher Education Area, external and internal Quality Assurance mechanisms have been established in Georgian Higher Education system. Nowadays, in almost every Higher Education Institution (HEI) functions Quality Assurance Service that became the main management body carrying out activities aimed at implementation of Bologna principles and Bologna related changes occurred in Georgian Higher Education area. External Quality Assurance mechanisms are instruments for evaluating compatibility of an institution and its educational programmes with authorisation and accreditation standards. Both mechanisms serve as the main tool for implementing changes in law and insuring the high quality of education, its continuous improvement towards the European standards.

For HEIs transformation process from the inherited standardized and centralized Soviet style educational system to the modern, market and student oriented one was very hard to go through.

The rate of implementation of Bologna principles is very rapid and radical and is related as well to significant human, material, financial recourses as to changing mentality. It seems likely that changing mentality is the most difficult issue from those that occurred while forming the entirely new system of education (Japaridze, 2008).

This article is focused on reviewing the role of Quality Assurance (QA) in formation of modern Higher Education (HE) system in Georgia, in adoption of legislation regarding Bologna and implementation of Bologna principles. Observation shows that QA service activities and mechanisms aim to ensure sustainability of HEI and its high quality performance, trying to limit problematic effects following the implementation of innovations and new approaches and, simultaneously, systematise the educational process.

Based on research showing the attitude, feelings and

experiences of Georgian HEIs and their administrative and academic staff, the paper analyses difficulties faced by them during ongoing radical and rapid reforms continuously taking place while implementing modern approaches and law requirements. Research shows that the role of QA in this difficult and hard process is significant. Among difficulties the most serious seems the mental transformation and skeptical attitude of personnel, especially academic staff, towards rapidly changing rules and new requirements.

I. Main changes and adoption of legislature regarding Bologna

Since 2005 a number of Bologna-related changes have occurred in Georgian Higher Education system, which significantly changed the existing Post-Soviet educational system into modern European-oriented style of education. The main focus should be made on that the Law on Higher Education was adopted based on Bologna principles, Quality Assurance mechanisms were implemented, HEIs became autonomous and got academic freedom, the centralized government-funded financial system for state universities was changed to self-funded flexible structure, student self-governance and their role in decision-making were increased, three-cycle educational system was introduced, the ECTS credit system was implemented, student admission procedures were no longer conducted by HEIs and student grant system was introduced.

It should be mentioned that all these new tools and mechanisms are innovative for Georgian educational system (Japaridze, 2008).

The Georgian Law on HE provides for entirely new organizational and management structure for HEIs, makes public universities more autonomous, more accountable

to the public and democratically governed from the inside (National Tempus Office Georgia, 2014). Hence, today the institution has the right to make decisions and develop work policies itself, elect its management bodies and identify its priorities and general development trends, which significantly rises its self-confidence and stimulates further development. Now, HEIs are financially dependent on themselves, as they are mostly funded through tuition fees, which enhances their incentive to become more attractive for students, to afford high quality education based on modern approaches and technology, using new methods of teaching full of innovations and transparency.

One of the main essential achievements of the reforms in Georgia was the establishment of the system of Unified National Examinations. The old system contradicted the objectives of transparency and facilitated corruption and was, by definition, not meritocratic, favouring those with money (Georgia country fiche, 2012)

In Post-Soviet countries corruption was anticipated in many public services and functions, but the spread of corruption in the education sector has been a shock. No one in 1991 anticipated the depth to which this disease would take over or the impact it would have on the reputation of the higher education systems (Stephen et al., 2010).

As a result of Bologna reforms, Georgia has practically overcome corruption flourished in Post-Soviet period. Among those aspects that had great impact on formation of the new healthy studying and working environment at Georgian HEIs, the leading role had QA service, the new management body established both at university and faculty level, whose responsibility is to ensure the transparency and excellence of education through strategic planning, monitoring, assessing and improving practice.

II. The role of external mechanisms of Quality Assurance in Georgian HE

Georgian Higher Education Institutions have a relatively large autonomy, but they are at the same time hold accountable for their performance through a national system of legal regulations and quality assurance, in order to maintain a guaranteed standard of Higher Education. This may be seen as a striving for effectiveness, as educational programmes should deliver and guarantee what they pretend and satisfy the standards of accreditation and authorisation as well as the quality improvement mechanisms.

A special state authority – the National Centre for Educational Quality Enhancement (NCEQE) – has been established as an external authority to ensure authorisation and accreditation procedures. It operates in compliance with the Standards and Guidelines for Quality Assurance in the European Higher Education Area. NCEQE functions as an evaluating and advisory government body giving the right to HEIs to perform educational activities and systematically verifying if educational process is running as it was originally planned.

Systematic process of self-evaluation procedures of institutions ensure the quality of their performance and guarantee the excellence of delivery mechanisms, at the same time verifying the rate of students and personnel satisfaction and if the institution entirely fulfills its obligations towards them.

As the research shows most universities think that their performance is improving as a result of implementation of external QA mechanisms and annual self-evaluation pro-

cedures, which are acting as the tool for systematising the educational process with the entire positive impact on the quality of education. But, on the other hand, they are facing too detailed systematization and obligation which somehow harms the nature of educational process and bureaucratic elements are a bit irritating. It should be mentioned that, unfortunately, most institutions follow these procedures without realizing their importance, only for that they are obliged to follow law requirements in order to survive. In this case the formal way of implementation of new approaches may restrict the free nature of performance of educational process, which in fact, may cause not enhancing but even decreasing the quality of education.

A system that does not assure quality of its products in a global market that is competitive will eventually become unsustainable (Ogbodo et al., 2009).

III. The role of internal mechanisms of Quality Assurance in Georgian HE

Quality assurance is a total, holistic process concerned with ensuring the integrity of outcomes. This places the responsibility for quality with the university itself, and thus is expressed through its relationship with its customers. Quality assurance recognizes the autonomy of organizations and seeks to enhance their capacity to operate in a responsive way (Ogbodo et al., 2009).

The research showed that QA system is a really important and necessary advisory unit at HEIs in Georgia, responsible for ensuring the quality of education, development and sustainability of an institution. It is the body responsible for systematic evaluation, self-assessment, implementation of reforms and ensuring that the institution fulfills the authorization and accreditation standards. It should develop adequate, efficient and effective evaluation procedures and instruments, support and recommend improvement actions, conduct the process of systematic dialogue with the different stakeholders in order to improve processes and outcomes.

QA service should function as the main mechanism for identifying weak points and obstacles, as the initiator for encouraging and disseminating good practices and results, but in some cases this structural unit became as the one additional bureaucratic body at the university. There are even cases when QA mechanisms were not understood and implemented by HEIs in the right way they were originally planned. In some cases internal and even external tools of QA mechanisms do not work as they were proposed to be and periodic changes and steps necessary to improve the floated problematic situations followed the implementation procedures make serious difficulties to institutions

If the university has eligible quality learners and teachers, but run irrelevant programmes that do not relate to the needs of the society nor with the “specifications” of the stakeholders and consumers, then does quality in this context suffer. If there is a continuing mismatch between what is offered in the universities and what society needs, then the nature of what is offered would be still of poor quality (Ogbodo et al., 2009).

The most important, but really less productive issue implemented in QA practice seems to conduct inquiries among students, employers and other stakeholders, as in most cases this process becomes more formal than informative and useful for the further development. Today, questionnaires play mostly the role of fulfilling the requirements of external evaluation criteria than to strive towards real improvement.

Such situation is fixed especially in Georgian state universities.

IV. Research method: Questionnaires

The conclusions made in the paper are based on reviewed references, conducted survey, shared concern with colleagues and Bologna experts, and the author's own experience.

The specifically made up questionnaire was sent to five state and two private Georgian universities. The questionnaire consisted of six open format and five closed format questions. Among closed format questions there were two closed-ended importance questions, one dichotomous question and two leading questions.

All participants were volunteers and the questionnaire was sent by e-mail. The return rate was 85% which was enough to have real picture on discussing issues. Among the participants 50% were from QA service, 33% from other administrative staff and 17% from only academic staff. 33% of participants belonged to both QA service & academic staff and 17% - to both other administrative & academic staff.

On the question regarding the years of working in HEI, 33% of participants have been working for the period of 0-5 years, 50% - for 11-15 years and 17% - for 16-20 years.

The result of questioning showed that every participated university has already implemented the QA service.

On the question – how important was the implementation of QA mechanisms in Georgian HE system during ongoing reforms – 50% answered that it was “very important” and 50% that it was “important”. No one marked lower rating.

On the question – how important structural unit is QA service at HEI - 67% answered that it was “very important” and 33% that it was “important”. No one marked lower rating.

The open format questions were regarding the formulation of those external and internal QA mechanisms that play essential & not essential role in insuring the quality of HE, and of the most important changes and problematic issues that have occurred in Georgian HE system, while implementing the reforms envisaged by the Bologna process. The answers were highly informative.

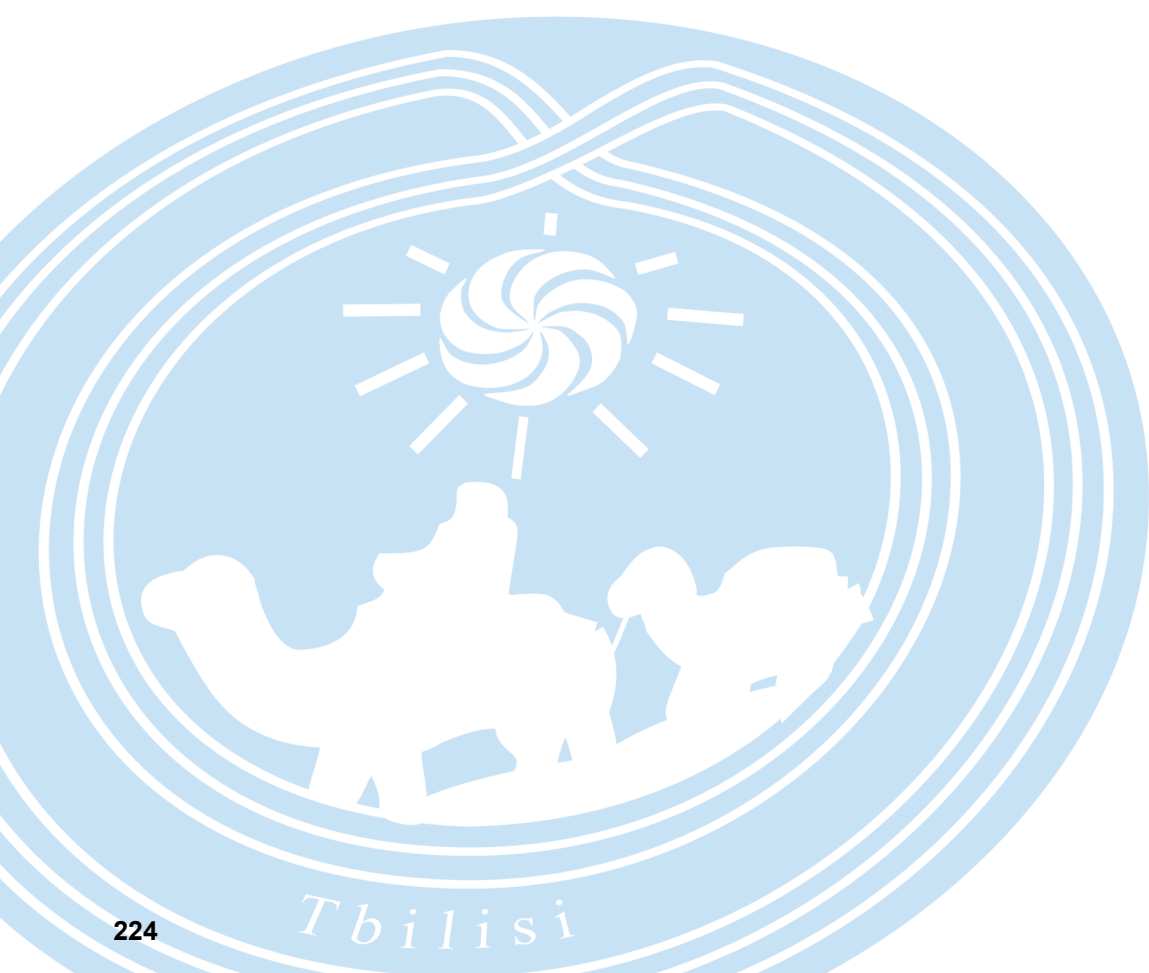
Conclusion

The important and crucial changes and steps forward have already been made in Georgian Higher Education system with the significant role and assistance of external and internal QA mechanisms. However, there is much left to do to provide really high quality educational system, necessary for the next development of the country.

The process of implementing of Bologna reforms has shown that this is a hard way full of challenges and difficulties. To achieve the goals and objectives, everybody should realise that not only those who are representing QA services, but every person at HEIs and other management structures should be involved in this process, be equally responsible for quality assurance and be committed to evaluate his or her functioning in order to improve and overcome difficulties

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The Role of Modern Text-Books in Life and Career

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Abstract

Many foreign companies have opened and continue opening their representative offices and branches in Russia and other countries. The problem is that the linguistic barrier is one of the most important aspects which must not be neglected. Therefore, when starting a business and applying directly to Russians, you must be ready to talk to them in Russian. Not only Russia, but also all Post-Soviet countries, i.e. residents of the Central Asia, Transcaucasia and the Baltic states are interested in communication in Russian language.

Keywords: textbook, business, official-business styl

Introduction

The language is studied in the macro- and micro world, where a person lives and its study at the universities is a necessity caused by changes in the social life, in particular:

- Widely spread business terms in the speech of the contemporary person;
- Computerization of all sides of our life;
- Necessity of drafting business documents in everyday life, as well as at the office etc.

The problem of creation of a modern textbook “Business Russian Language” has arisen, by means of which the students study the language used in business situations. Business Russian is designed for students who study business and who need to know Russian language for successful activities. The publishing house of the International Black Sea University has published a textbook “Business Russian Language” intended for students and lecturers of the higher education institutions. The authors are Gulnara Diasamidze and Khatuna Tabatadze.

While drafting the syllabus we set the following tasks:

- Expand the vocabulary of the students introducing them to the world of modern business speech;
- Considering the profile of the faculties, all linguistic events to be reviewed in the language of documents and dictionaries;
- Thoroughly study the publicist and official-business style of speech, which is dedicated little attention at schools;
- Strengthen stylistic, orthographic and punctuation skills acquired earlier at the secondary school.

The textbook also dedicates particular attention to the role of the English language as the source of majority of professional terms in the area of informational technologies and proper usage of the functional lexis in foreign language as well as the state language of the Russian Federation.

At the lectures the students learn to use the Russian language in various business situations, as well as develop their knowledge of grammar, oral skills, comprehension of the Russian speech. The students must feel the appropriateness of usage of the official-business style as it is inadmissible to use it in oral speech, in letters to friends and family. It is evident for all of us that the conversation between employees of the same company discussing a business matter or the conversation between a manager and his subordinate fundamentally differs from conversations between the same people outside office hours (Revia, 2012).

Official-business style is characterized by a number of common features. Among them are:

- conciseness, compactness of presentation, economic usage of linguistic means;
- wide usage of terms, names (legal, diplomatic, military, administrative etc.), availability of a particular vocabulary and phraseology (official, clerical), inclusion of abridgements, abbreviations in the text;
- frequent usage of verbal nouns, nominative prepositions (on the basis of, in respect to, in accordance with, in re, by force of, for the purpose of, in the line of etc.), complex conjunctions (as a result of; considering the fact that; in connection with the fact that, by virtue of the fact that etc.), as well as various fixed collocations intended for connection of parts of a complex sentence (in case that ...; on the grounds that ...; for the reason that ...; provided that ...; in a manner that ...; the circumstance that ...; the fact that ... etc.);

- narrative character of presentation, usage of sentences with specifications;
- direct word order in the sentence as the prevalent principle of its construction;
- tendency to use complex sentences, reflecting logical subordination of one fact to other;
- nearly complete absence of emotional-expressive verbal means;

Success of any kind of professional activities depends on how skillfully the process of oral business communication - conversation, negotiations, management of a meeting, phone conversation, and ethical forms of communication - develops. Active forms of learning business language help to successfully achieve the final exam which finalizes study of the subject.

The lexical content of business style texts has its peculiarities. First of all, the words or collocations having a clearly expressed stylistic nuance, for example: protocol, carriage of passengers, delivery, identification card, research associate etc. are used in these texts. Among them there are a significant number of professional terms. Many verbs contain the meaning of instruction or obligation: prohibit, allows, resolve, oblige, appoint etc. It should be mentioned that the highest percentage of use of the infinitive is observed in the official-business style.

The official-business style tends to reduce the number of meanings of words, simplify their semantic structure, and achieve monosemy of lexical and secondary compounds. Therefore, the exact definitions of the used words and concepts are provided rather often. Polysemy (multiple meaning), usage of words figuratively are inadmissible here, while synonyms are used to a small extent and as a rule, belong to the same style: supply = delivery = provision, solvency - creditability, wear and tear = amortization etc. (Lebedev, Petukhova, 2002).

Working with a dictionary is a mandatory stage of each class. At the same time, pronunciation, spelling, etymology of words is reviewed and their meanings can be found in contemporary dictionaries of foreign words. While drafting the vocabulary of a business person (one of home assignments), attention is paid to semantics of words recently introduced in our language: marketing, manager, management, auditor, distributor, liquidity, business, investments. Working with dictionaries is arranged during the classes as well as when making home assignments. While studying business Russian language we plan to make a dictionary of a contemporary business person.

Compounds made of two or more words are also typical for business language, for example, tenant, employer, material-technical, repair-and-construction, the above mentioned, etc. Generation of such words is explained by tendency of business language to accuracy of conveyance of meaning and unambiguity of interpretation. Uniformity of similar collocations and their high frequency leads to the used linguistic means becoming clichés, which gives the texts of official business style a standardized nature.

It is common for business style to use verbal nouns, which are more in official-business style than in other styles, and participles: arrival of train, provision of housing, population service, budget replenishment, taking measures: the given, the mentioned etc.; complex nominative prepositions are wide used: in the part of, in the line of, for avoidance of, upon reaching, on return etc. Generally, a sentence contains rather large volume of information and is meant for second reading. Simple sentences are often complicated by homo-

geneous parts of the sentence which is preconditions by the necessity to exhaust the subject of the message. This can be one or several subjects with one predicate or vice versa, or several secondary parts which belong to the subject or the predicate. For example: Students study business, economics and finances (Ishnyakov, 2005).

Understanding the traditions of the Russian business communication is a motivating factor for study of linguistic and stylistic peculiarities of the Russian language and brings a professional component to the learning process (Marsakova, 1994).

Conclusion

Therefore, during the course "Business Russian Language" foundations are laid for professionally important qualities of a future specialist: business communication skills, creation of the own image which also implies the culture of communication. Desirably, the student should possess not only linguistic but also intercultural knowledge, have an understanding of cultural code of language of the partner, code of ethics, business advertising,

As a result of study of the subject "Business Russian Language", the student must:

know how to: deliver a monologue and a dialogue, participate in discussions related to organizational activities in business in Russian considering the rules of conversation; present his professional skills and describe his scope of responsibilities and professional duties and present his company including its structure and history; freely read and translate authentic unabridged business texts from Russian into the native language with a dictionary; extract required information from oral and written sources of business character without a dictionary and perform it in the form relevant for usage, in the form of annotations, translations; draft and perform annotations in business Russian; prepare a public oral speech;

possess: Russian speaking skills; article translation skills; professional activities-related presentation skills.

The approval process of our textbook and questionnaire survey about the textbook is an important aspect. Students were given a questionnaire with the following questions:

Book “Business Russian”

Faculty _____

№	Question of the Survey	Yes	No
1.	Do you like the book?		
2.	Like the Content.		
3.	Like the design, cover.		
4.	Attracted by useful information, advertisement.		
5.	Do you find workbook included in the book convenient?		
6.	Like the texts.		
7.	Helps in presentations.		
8.	It is difficult to work with this book.		
9.	Do you consider that the book will be useful?		
10.	I trust the authors of this book.		
11.	I will recommend this book to friends and acquaintances.		
12.	Would you be able to talk to Russians without an interpreter?		

The questionnaire showed good results. We hope that we will help to increase the student motivation as well as make the foreign language learning process more entertaining.

We will be truly happy if you become familiarized with this textbook in detail and it appears to be needful and useful for you.

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English Teachers' Reasons for Considering Proverbs Significant to Learn in the Classroom

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Abstract

The proverbs are common to all communities and though each culture has its own set of proverbs, the same wisdom can usually be recognised in a different culture. I propose that English teachers should provide more exposure of proverbs in classes. In order to see English Teachers' attitudes towards learning and teaching proverbs, 62 teachers from Tbilisi, Georgia were asked to fill in the questionnaires designed for the research. The teachers taught from grades 9 to 12 and mostly at pre-intermediate and upper intermediate level.

Keywords: proverb, foreign language teachers, Tbilisi, teaching proverbs

I. Aim of the research

Foreign language teachers underestimate the significant role of proverbs in forming intercultural competence in foreign language acquisition; however, designing creative materials will encourage teachers to teach proverbs in foreign language classes.

This paper is expected to contribute to have one step regarding the study of proverbs in foreign language acquisition to develop intercultural competence and fill in the gap in second language teacher education. The research investigates what attitudes English teachers in secondary schools in Turkey and Georgia have towards the teaching of proverbs in foreign language classrooms and their knowledge of proverbs in general.

The research aims to raise the teachers' awareness about the teaching of proverbs and has suggestions for foreign language teachers to promote the value of proverbs in their second language teaching classes. Because proverbs improve intercultural awareness among students, foreign language teachers are expected to be more inspired by the results of this research.

I propose that English teachers should provide more exposure of proverbs in classes. There are no other researchers in Georgia focusing on this topic or developing materials in order to teach them effectively in classes. As English teachers are the most important stakeholders in language teaching, their insight on this issue will provide a more useful picture for teaching proverbs in classes.

In order to see English Teachers' attitudes towards learning and teaching proverbs, descriptive methods and quantitative approaches were used. 62 teachers from Tbilisi, Georgia were asked to fill in the questionnaires designed for the research. The teachers taught from grades 9 to 12 and mostly at pre-intermediate and upper intermediate level.

II. Results and Discussion

2.1. Attitudes Towards Proverbs

I dealt with the question by dividing it into 5 categories:

1. Category 1: Importance of learning English proverbs for English language education
2. Category 2: The reasons for considering proverbs significant to learn in the classroom
3. Category 3: The necessity of knowing and using English proverbs outside the classroom.
4. Category 4: Attitudes towards English proverbs' place in the coursebooks.
5. Category 5: Are the proverbs included in English Language Teaching at high school?

The findings for the first category suggest that the majority of English teachers think proverbs have a positive effect on the overall English language experience. The results from 62 teachers who responded showed that 66% were in agreement, 31% were unsure and 3% expressed disagreement to the statement.

In the category 2, according to our participant teachers, if proverbs are studied, students accurately interpret proverbs in reading texts. The ratio for if using proverbs in oral presentations will make them more effective was 79% in Tbilisi and the importance of proverbs for comprehending a text was seen as important by 68%. Tbilisi teachers 52 % agreed for the benefit of proverbs' role in improving writing skills. I found in my research that 68% of teachers agreed in use of proverbs helps in improved listening comprehension.

Teachings of proverbs is also seen as a tool to encourage students in developing cultural awareness and to influence their behaviours towards other cultures. Majority of the participants surveyed supported that knowledge in proverbs are an important aid in understanding cultural differences or similarities. The number was as follows: 73 % in Tbilisi.

To the question if knowing English proverbs is helpful in understanding English humor, about 77% of the participants in total agreed with the idea and the definition below by Taylor. A proverb is often a ready made epigram, sums up the situation effectively, drives home the point, and appeals to the reader's or hearer's sense of humor (Taylor, 1996).

The results of **the third category**, 58% of teachers believed that proverbs should be used while communicating in English outside the classroom.

Mieder states that textbooks on both the teaching of native and foreign languages usually include at least some lists of proverbs and accompanying exercises. (Mieder, W. 2004). For the results of **the fourth category**, the participants agreed that the occurrence of the proverbs in text books and exams should be more frequent. 76% of teachers think that authentic materials such as proverbs should be dealt with in the coursebooks.

According to one research conducted in Turkey by Can (2011), the coursebooks were evaluated in terms of the proverbs incorporated. Every page in all the coursebooks were scanned and any relevant data was recorded. Both my research participants' views and Can's coursebook analysis showed that proverbs are not given sufficient place in English classrooms. The results of this study have highlighted the need for proverb teaching in English classrooms.

McGrath (2006:171) argues that coursebooks are a central element in teaching-learning. They will tend to dictate what is taught in what order and to some extent how as well as what learners learn.

For the **fifth category**, 63% in Tbilisi supported the importance of proverbs in teaching English to students as a second language. The teachers argued that including proverbs into the curriculum helps students improve all aspects of language skills.

The content and the format of the exam show the incompatibility between the curriculum and the examination, which brings out limitations in actual language teaching practices in the classroom (Kızıldağ, 2009).

39 teachers out of 62, 63% supported the importance of integrating proverbs in English language curriculum. This result is encouraging for our research topic and as such we recommend that material writers and curriculum designers give emphasis to use of proverbs in language teachings. Teachers that confirmed inclusion of proverb teachings in their course material were in the minority. It is seen that 29% of teachers in Tbilisi who include special time for teaching English proverbs.

The results showed that proverbs are a small part of the EFL teaching in the classroom. Although there is a positive attitude and awareness among the teachers with reference to value of proverbs, it is not so commonly practiced in the classroom.

Conclusion

Unfortunately, proverbs are found to be given insufficient place in input provided for learners in language classrooms or mostly used as time-fillers. When we check our class course books, we see that proverbs are a small part of language teaching and the materials used in language classrooms ignore proverbs and don't provide exercises for learning them. Because there is a tendency for grammar-based courses, teachers are not willing to have classes using authentic materials and there is almost no study carried out in

Turkey or Georgia regarding proverb teaching and learning particularly at secondary level from grades 9 to 12.(Gozpinar, 2011)

Proverbs play a key role in cultural understandings and support development of EFL teaching. However, we have identified a contradiction between the views and practice of teachers in this regard. More than half the teachers feel that they should know proverbs but they don't teach proverbs in classes. This is a contradiction between their positive attitude towards teaching proverbs and their choice.

Teachers are in support of the claims of paremiologists that learning proverbs has a positive effect on learning English in relation to the development of cultural learning, metaphorical understanding, and the development of effective communicative skills as well as four major skills.

Our findings support the view that proverbs play a key role in cultural understandings and support development of ELT teaching. However, we have identified a contradiction between the views and practice of teachers in this regard. The belief that proverbs are an integral part of learning is evident, but the practice of such teaching is absent. We believe that material development is necessary in this area to support teachers with proverb education.

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The Broad and Specific Change Forces Challenging Higher Education Leadership

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Abstract

The 21st century is the millennium characterized by a series of crises. We live in a knowledge society where everything changes and is unstable. In a knowledge society, education is the power in an environment of particular uncertainty, the ability to manage the cognitive discord that prevents to comprehend reality. It is obvious, that the list of change forces that are challenging universities is increasing rapidly.

This article discusses the broad and specific change forces that challenge higher education leadership and provides perspectives how university leaders should keep in step with an intensively changing environment.

Keywords: Global Stresses, IT revolution, New world Players, Higher education Market, Growing competition

Introduction

Higher Education Institutions have experienced multiple changes caused by economic crisis, competitive global environment, changing mandates and new requirements for social accountability. Universities have become globally interconnected institutions. Technologies facilitated the exchange of data and information. Together with curricular joint partnership international branches campuses also have expanded dramatically. Though, it is considered that universities are resistant to changes, it is worth mentioning that global and specific change forces facilitated considerable changes in Higher education over the decades. According to Segal and Freedman (2007, p. 1-2): "higher education is operating in a new environment.... Colleges and universities are confronting new types of students – younger and more technology-driven, as well as older and more career-driven. They are confronting unprecedented competition, aggressive accountability demands and a view of operating in a global context. And they are doing all of this with less direct funding.... The greatest challenges facing higher education today (are): student engagement; institutional accountability; revenue generation; globalization". Consequently, higher education leaders face the challenge to realize the importance of more market-oriented, student centered, businesslike management and accountability strategies, while maintaining their academic mission, values and focus. The following chapters will identify 3 main Broad change forces and five higher education related change forces that effect higher education leadership.

Broad Change forces: Global Stresses, The Emergence of New World Players, IT revolution

Higher Education Related: Opening Up of Access; Changes in Funding and Pressure to Generate New Sources of Revenue; Rapid Growth in the Higher Education Export Market and Growing Competition in All Markets; User Pays and Changing Patterns of Participation; Maintaining and Enhancing Standards.

I. Broader Change Forces

The developments and changes that have occurred over recent decades are not specific to higher education institutions, but still have profound implications for them.

I.1. Global Stresses

Thomas Homer-Dixon (2006) identifies global stresses as "tectonic stresses" that include population stress, energy stress, environmental stress (land, water, forests, fisheries), climate stress, and economic stress (the ever-widening income gap between the rich and poor).

The global financial crisis in late 2008 is a good example of such tectonic stresses that had a significant consequence on higher education. As a result of the rapid drop in the value of stock markets, state budgets were cut for higher education, tuition fees were increased and the aid was reduced for some collage programs.

Besides, "one of the major transforming factors, enabled by advances in communications and information technology, is that of globalization through the mobility of ideas, capital, and people. In this new context, we are witnessing new formations of globally networked companies and cities and new roles of research universities" (Group of Eight, 2007, p. 14)

I.2. The Emergence of New World Players

India and China can be considered as the prominent examples of the new world players both economically and educationally. These are countries that have experienced an astonishing increase in higher education participation rates over the past five years as according to their vision the investment in higher education is a key element in their countries' strategic development. It is also notable that these countries dramatically improved the quality of their education (Fullan & Scott, 2009).

The creation of the European Higher Education Area through the implementation of the Bologna Process is another example of the new world players which put in motion a series of reforms to make European Higher Education more compatible, more competitive and more attractive for Europeans and for students and scholars from other continents (Fullan & Scott, 2009).

I.3. The IT Revolution

The IT revolution is creating new opportunities for students. Students can choose what to and how to learn. It questions the idea of campus-based education and fosters more “distributed” approach by giving the increased difficulty of travel to large cities and the potential for people to work productively for at least part of their week at home (Fullan & Scott, 2009).

David Kirp (2003) identified the reasons why a purely online model won't work: “With so much attention focused on high-tech and quick killings, little notice was paid to offering something of value (p. 186). . . advising, counseling, and grading were done on-line (thereby negating the very secret of the OU's success in the UK—the support offered by its counselors, tutors and group meetings) (p. 199) . . . the network of personal relationships between students and their tutors may matter as much as the thick packet of readings and video and audio cassettes that students receive” (p. 192).

II. Change Forces Specific to Higher education

There are other changes more directly connected to the daily operations of the university bringing a wide range of pressures on their funding, support, and operation, etc.

II.1. Opening Up of Access

Demand for higher education is increasing dramatically around the world. In the developed countries, the proportion of the population gaining access to higher education opportunities has grown rapidly since 1970s. In the developing countries the growth in higher education participation rates has been equally impressive. For instance, China enrolments doubled between 2000 and 2003. By 2005, with 16 million students, China had overtaken the U.S. as the world's largest higher education system (Fullan & Scott, 2009). However, the “massification” of higher education arouses expenses and the pressure on institutions to accommodate more students. Though, many see this growing demand beneficial for higher education institutions considering a basic principle of economics – the demand for product increases the value in the marketplace.

II.2. Changes in Funding and Pressure to Generate New Sources of Revenue

It notable that such rapid and dramatic increase in higher education participation put the pressure on funding for higher education. Especially, the decrease in the proportion of higher education funding coming from state sources led universities to focus on profit and co-modification of knowledge and its marketing. OECD (2007, 2008) provides the data which clearly shows that public expenditure on higher education, over the decade 1995 to 2005, in Australia fell from 64.8% percent to 47.8%; in the U.K. from 80% to

66.9%; and in the U.S., from 37.4% to 34.7%.

Focus on profit and co-modification of knowledge and its marketing caused the emergence of income-generating ventures. Risks associated with such ventures comprise dealing with unstable international and local full-fee paying student markets, financial responsibility for the commercialization of research or teaching, holding legal liability for new units (Fullan & Scott, 2009).

II.3. Rapid Growth in the Higher Education Export Market and Growing Competition in All Markets

The “higher education export market” has been a key new source of income for higher education institutions over the past decade. “What is new is that higher education is now seen as a service commodity for profit that can be exported and imported. Furthermore the import-export divide is breaking down” (Scott et al., 2008, p. 35). It is suggested that the international student market will grow at about 6% per annum into the nearest future (Fullan & Scott, 2009).

Though, the internalization of the higher education also involves the challenge such as an institution's global position in a competitive environment. Competition is not new issue in Higher education, but is characterized with new complexity (Kinser & Hill, 2011). The tendency, for students from highly developed countries, to take all or part of their degree overseas is seen by many to be a desirable development. However, it may have an effect on the bottom line for some universities as student from developing countries find an increasing range of countries offering education, sometimes even at a lower price (Fullan & Scott, 2009). Moreover, in recent years online education has become the common-place of competition among higher education institutions (Kinser & Hill, 2011).

Here the challenge for higher education institutions is to preserve an identity grounded in local concerns and develop the one with determinative voice of international community (Kinser & Hill, 2011).

II.4. User Pays and Changing Patterns of Participation

The “user pays” philosophy for higher education comprises the notion that students have the possibility to shift institutions if they do not experience the quality and value-for-money they suppose. This can have a direct and negative impact on the uni-versity's bottom line. For example, if a student quits the educational process in a particular institution at the end of year one in a three-year program, the univer-sity loses the remaining two years' fee income which is around \$30,000 in countries like Australia (Fullan & Scott, 2009).

Changing patterns of participation are also becoming crucial for universities. For instance, one in every six full-time undergraduate Australian students worked more than 20 hours per week. Similar trends show that 41.8% of all part-time students were working at least 58 hours per week. Such tendency sets quite different expectations about university studies (Fullan & Scott, 2009).

In this aspect, the challenge for higher education leaders is not only to open the access for students to their institutions but also retain them for graduation and give the country such graduates who will benefit the country's development.

II.5. Maintaining and Enhancing Standards

In this competitive world, higher education institutions need to study their operating procedures and redefine institutional practices. Leaders need to see the opportunities and challenges that might exist in their institutions. There are three main institutional imperatives that higher education leaders should focus on for maintaining and enhancing their institutions. 1) Colleges and universities should guarantee the quality and access. 2) The assessment of student outcomes and institutional activities is also essential. 3) Finally, leaders should comfortably and correctly articulate the institutional values and their values to the society (Kinser & Hill, 2011).

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Conclusion

Higher education experiences a series of challenges which vary from country to country. All above mentioned broad and specific change forces mirror the existing situation in the higher education and the dilemmas that the leaders of higher education face. Balance catering to market forces together with delivering the mission of the institution to achieve traditional moral and public purposes is a core dilemma for university leaders. Realistic appraisal of current circumstances is essential for setting future goals. Nowadays leaders are expected to model change in leadership, be a learner, and give students experience that develops their leadership capabilities. High quality graduate is essential investments for the society.

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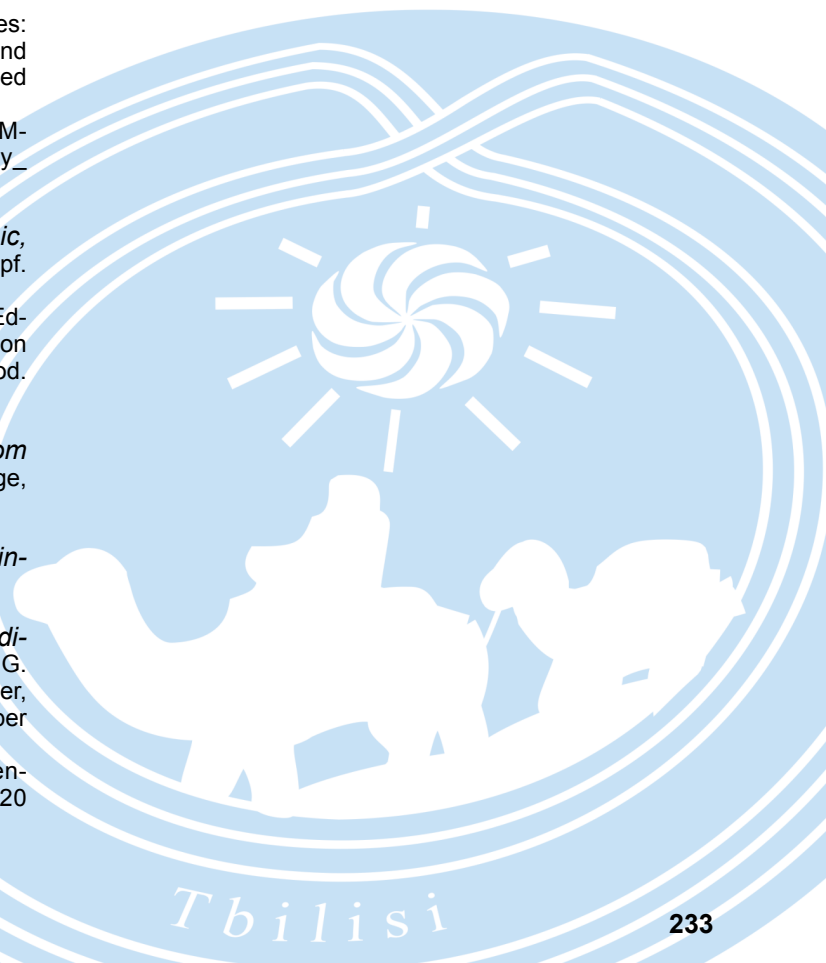
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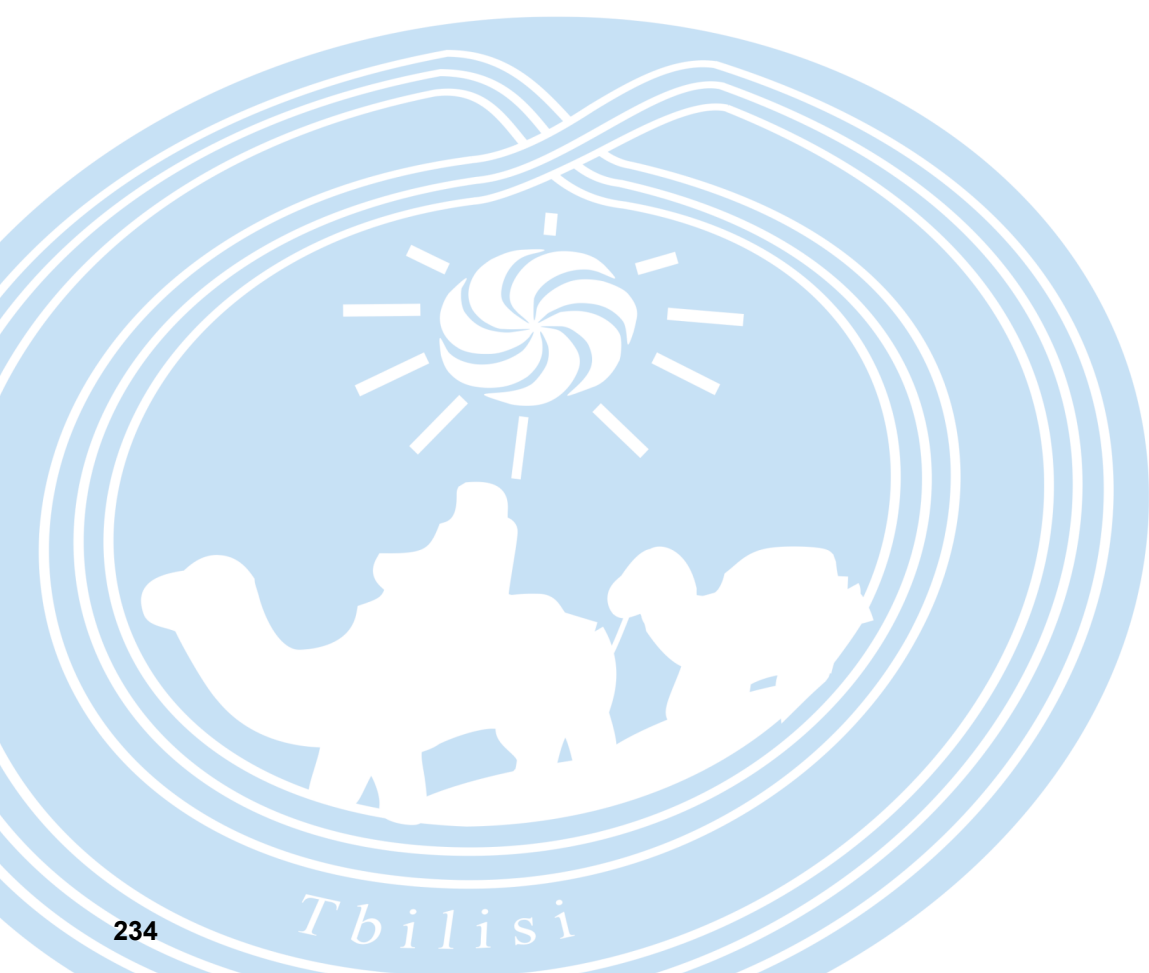
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The Art of Time Management on the Brevity of life

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Abstract

The mystery of defeating time is in the art of its effective use, what is only possible in the properly organized educational space and in the process of new type of governance. The effective management of time means to have a strong desire of learning and moral improvement, to help others to get out of difficulty and to be with them in joy, being courageous and what's the most important- to respect time, what itself will develop pedagogical strategy, as it will unite the society towards one common aim and create a pleasant working environment, where students will not be the passive recipients of knowledge but the active participants in social work, discussion and expression of their own opinions.

The only desire is not enough for creating special social values and self-realization. Not the brevity of life (Seneca) and the economical accumulation of capital determine being an equal member of society, but the disability of saving time, despite of that time is the one thing with which it is even correct to be miserly.

Using time effectively, achieving serene and peaceful spiritual situation, understanding the purpose of life and death while living, seeking for an useful work is really important for sensible thinking and living together.

Keywords: brevity of life, learning and moral improvement, self-realization, time management

Introduction

“For the person, who leaves this world, nothing is much hopeful than the belief that he has not lived in vain”.

/Kant/

The human exists in time and the reason for his transience is the time too. Existing in time means living together by one another's side, which on its hand means arranging for the relations, preserving particular rules of living together and makes us to think about managing the art of the time management in the on the Brevity of life (Seneca). The time problem has constantly been presented in philosophic reasoning. The Greek philosophers used to related time to movement, theologists based the totality of present, past and future onto the internal structure of the human spirit (G. Tevzadze).

Immanuel Kant in his “Critique of Pure Reason” writes: Time is not an empirical concept, derived from any experience. For neither co-existence nor succession would be perceived by us, if the representation of time did not exist as a foundation a priori. Without this presupposition we could not represent to ourselves that things exist together at one and the same time, or at different times, that is, contemporaneously, or in succession. (Kant, 1979; 62). According to Kant all the happenings are defined in the time and only in it as in the substrate (in the internal vision stable form) being and sequence might be imagined simultaneously... And the time does not deal with the changes, the happenings in time change only – considers Kant.

The secret of defeat of the time is the art of its use in effective mode, which is only possible in the correctly organized educational space and new type management process. Effective management of time means to have a strong desire of learning and the moral perfection, sharing of grievances and joy of others, bravery and in the first place and what is of utmost importance being able to apprise the rest, which on its hand would develop the pedagogical strategy in the way that would prepare the society around the general goal and establish the pleasant environment for work, where the student would be not only the passive recipient of the information but would be involved into the general activities, reasoning and expressing of the opinion.

The only desire is not enough for creating special social values and self-realization. Not the brevity of life (Seneca) and the economical accumulation of capital determine being an equal member of society, but the disability of saving time, despite of that time is the one thing with which it is even correct to be miserly. Using time effectively, achieving serene and peaceful spiritual situation, understanding the purpose of life and death while living, seeking for an useful work is really important for sensible thinking and living together.

“The life we receive is not short, but we make it so, nor do we have any lack of it, but are wasteful of it. Just as great and princely wealth is scattered in a moment when it comes into the hands of a bad owner, while wealth however limited, if it is entrusted to a good guardian, increases by use, so our life is amply long for him who orders it properly”, says

Lucius Annaeus Seneca in his moral tractate "On the Brevity of life". Seneca does not share the general human complaint towards the nature regarding the shortness of the life and in order to substantiate this opinion submits the above-indicated thesis... He refers to the oldest among the old: "I see that you have reached the farthest limit of human life, you are pressing hard upon your hundredth year, or are even beyond it; come now, recall your life and make a reckoning. Consider how much of your time was taken up with a moneylender, how much with a mistress, how much with a patron, how much with a client, how much in wrangling with your wife, how much in punishing your slaves, how much in rushing about the city on social duties. Add the diseases which we have caused by our own acts, add, too, the time that has lain idle and unused; you will see that you have fewer years to your credit than you count. Look back in memory and consider when you ever had a fixed plan, how few days have passed as you had intended, when you were ever at your own disposal, when your face ever wore its natural expression, when your mind was ever unperturbed, what work you have achieved in so long a life, how many have robbed you of life when you were not aware of what you were losing, how much was taken up in useless sorrow, in foolish joy, in greedy desire, in the allurements of society, how little of yourself was left to you; you will perceive that you are dying before your season!" (Seneca, 1991; 259).

Seneca does not consider the human life as short but is obsessed and worried with spending life in vain and is assured that if we invest in it reasonably the life would be quite long and great thing to implement. "Life is long enough, and it has been given in sufficiently generous measure to allow the accomplishment of the very greatest things if the whole of it is well invested." (Seneca, 1991; 258). According to Seneca, for the reasonable man the life is quite long but we live only the small part of it, the rest of the life is not spent by us, it is just time. The human being is diminished by multiple flaws, and others are burdened with the wealth. Seneca is assured that the human standing above all the human passions never enables the others to use the own time. Seneca considers that the life duration is defined according to spending each and every second with the benefit and by not being depended on the others as nothing is more valuable than the own time for the human and the human shall never consider anything worth to exchange for the own time: "That is why the time might be enough for everything, and for those whose lives are stolen by the others, the time would never be enough" (Seneca, 1991; 262).

People often complain with each other they have no right to live but do not think about getting rid of the established situation. People demand the time from one another but consider as if not have asked for anything and not have given anything: "they play with the most expensive item, but do not know what they do as it is immaterial and invisible, thus, they do not throw it as something useless and vain" (Seneca, 1991; 263).

Especially heavy is the destiny of those people who have never had their business, who constantly used to live according to the dictation of the others, who used to walk according to the steps of the others and agree upon love and hatred – the freest feelings ever with the others. Seneca considers the life of those people as genuine and real who devotes all the own time to philosophy only. In his opinion such people do not only spare their time by "attach" it to all the former and the present: "if towards the noble issues we are a bit sensitive, we might consider that all the famous founders of the noble concepts and studies have been born for us, they have prepared the basis for us... Not a single century will be able to stand against us to penetrate into it. If we want to, by means of the spiritual strength we will be able to overcome the threshold of the human weakness, and

the limitless space of time will be displayed in front of us, in which we could travel" (Seneca. 1991; 269).

Seneca advises to us to argue with Socrates, to stay alone with Epicure, to visit often Pythagoras, Democritus, Aristotle... Relation with the wise people is implementation of the obligations of all the people; they never encourage to death, but Socrates considers that they teach us how to implement our obligations, and that is the great pleasure when the peaceful old related to the wisdom and surrounded with the great people directly shares with the all the great and small things and thoughts, - writes Seneca.

Seneca perceives the existence of the reasonable beings and their life as the special and limitless happening. He considers that the mysticism of the wise man does not surrender to the laws of life of the human beings; the centuries obey to them as to the gods. Does time flow? The wise man remembers. Is it the present? He applies for it in the proper manner. Does the future come? He foresees it in advance. Each time pace prolongs the life; with that opinion Seneca directly declares that we should study and think about the thoughts and the lives of the wise men, and the rethinking of the Antique Epoch is of the utmost importance and one of the highest priorities.

How do we treat the past? Do we respect it? Where such aggression comes from? The response is one and only – the shortest and full with anxiety is the life of those who have forgot about the past, refused and neglected the present and is afraid of the future.

Dividing attention between the present and the future in the way the one does not harm the other became the most significant point of the life wisdom of Arthur Schopenhauer in his work "Aphorism of the life wisdom". In his opinion the present is only genuine and real. It is the flowing time and our life is placed into it. We would greet it right and conscientiously enjoy every second free of grievance and pain – he writes.

Arthur Schopenhauer refers the special significance to the topicality of the current time and recommends remembering that the present day – today happens only once and will never be back... Do not think tomorrow belongs to this day... Tomorrow is the other day and it comes only once also. We forget that each day in the integral and irreplaceable part... In this manner he confirms the necessity to assess the time in reasonable manner and offers to honor the present as it might become past in a single moment.

The greatest obstacle in life is what interferes with the reasonable utilization of the time, and that is expectation. The expectation waives the present and looks forward tomorrow dreaming, makes it obscure: "They stood waiting. Expectation of the mountains is limitless; lies as the limitless sea in their hearts... And nothing is displayed on their faces, except for being enemies. And that is one more significant sign of the expectation", - says Vazha. In his opinion, everything is brought by the time and the time flows, taking lots of things, and it shall take what is not useful, which is vain and harmful. We should not imagine time separately but as the generation, the historical epoch... Our historical epoch, our lives are diseased but we keep concealing it constantly... Where there is no freedom we could not find any friendship and integrity. We will always face there with hostility, arguing and people being wolves – and that last word expresses definitely the significance of the time as well as those problems, which interfere with spending life with the sense.

The human leaves the life in the way he has no opportunity to use one third of the own capabilities, all the more, he does not know anything about such capabilities and the

skills, which he has inborn. So the question arises: how to arrange for the educational space in the way it turns into the basis for revealing of the new knowledge, the human capacities, for developing of the inborn skills. All the more, the problem of people dealing with the time might be solved in this way only.

Of course the response to this question is the issue of the future but development of the skills is not the independent process. Nobody might take doubt in it. The modern education necessarily means relations with the other cultures, sharing their values, or reflecting over those differences which exist between such values. Studies of the intercultural communication is possible, though its removing from the native culture in case of proper utilization of time and its accurate and correct planning in the modern world is the condition of the successful existence. This condition will be turn into reality if in the educational field the main priority will be establishing of the life principles and developing of the new views of life among the adolescents.

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Effective Teaching Strategies

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Abstract

Effectiveness of the teaching methods is often stipulated by the various teaching strategies. Strategy is a mean for implementing the methods. The combination of the methods and strategies should create such a learning environment which raises the motivation, develops the creative skills and ensures active involvement of the students in the learning process.

The article discusses diverse and the student oriented methods which enable the learning process, applying the knowledge in the practice and cooperation between the students and teachers.

Keywords: Teaching strategy, learning environment, motivation, student-oriented methods

Diverse and student oriented methods contribute to acquiring the knowledge, better understanding of it and applying it in the practice. Effectiveness of the teaching methods often stipulate various teaching strategies. The latter ensures diverse and interesting teaching process and at the same time reduces discipline related problems while increasing active involvement in the teaching process, requiring more initiative from the students.

A good teacher always tries to make the process more effective, to involve students more and to let them think freely. Student's involvement which is followed by a good motivation is one of the main principles of Didactics. This type of activity is not very natural to happen. It is a result of an aim oriented pedagogical influence and proper organization of the learning environment. This way the teacher prepares the students for coping with vital problems and solving them.

According to the teacher's standards, teacher should be able to communicate verbally and in written with the students, parents and colleagues. A student with a bachelor's degree should be able to express his/her ideas freely, prepare a detailed analysis of the problems and find the possible solutions in Georgian and other languages; also the student should be familiar with the modern technologies to the extent necessary for applying them in the practice. Teacher should have good writing skills, in order to teach others. Therefore one of the courses envisaged in the curricular for the future teachers is a theory of teaching and education which will teach the writing strategies.

Teaching the writing skills means teaching the communication through writing. Writing enables the people to express themselves, their attitudes and ideas. Writing and thinking are interlinked processes which contribute to focusing on one topic and develop critical thinking. As famous psychologist, Lev Vigotski, was saying while teaching a student writing skills, he/she should need it for a specific task. Through

writing student should be able to share his/her thoughts with others. (1, 45).

Writing exercises are not the most popular tasks among the students as development of writing thinking and therefore creation of a good document is not an easy task. This requires enormous efforts and work both from teacher and the student. Majority of the students do not know when they started writing. Sometimes their documents are so vague that lots of corrections and clarifications are needed. This type of writing will of course fail in triggering an interest and convincing the readers. During the school years, students usually complete their homework at home or the following day at school and afterwards the teacher is reviewing them, marking and reading to the whole class. The rest of the students whose homework didn't trigger teacher's interest and were not read to the whole class, lose the interest and motivation, their self-esteem also lowers. In order to avoid the latter from happening and to overcome the difficulties relating to the writing skill, teacher should apply various writing strategies. We will review the following strategies: "Pyramid history", what, why and how, writing for yourself, 10 minute writing, essay, independent writing, 5 line rhyme, T diagram, cube method, strategy 3, 2,1, what I remember after leaving the class, role, audience, format, language, development writing and so on. These strategies help student develop good writing skills.

The aim of the writing strategies is to teach writing for various purposes included private, scientific and creative. Teacher is offering applying various methods each of those serve different aim. Teacher should be guided by the following principles while using the various strategies: for the critical thinking, it is important for the student to think and write on important and interesting topics. The teacher should create such an environment that will prompt free thinking among the students.

Teachers who would like to use writing as a tool to de-

velop the thinking, they should be fully aware that students have negative attitude towards it. The reason of it is that the accent is not on the process but on the result.

Positive sides of the writing methods:

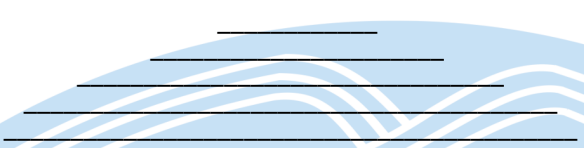
- writing helps a student to make his/her position clear to others;
- writing develops critical thinking;
- writing increases curiosity and develops more active observation;
- writing enables the students to assess their writing and receive a feedback on theirs.

Let's discuss several writing strategies. At the initial stage, teacher should use a strategy **writing for yourself** which aims at putting down freely one's thoughts. This time student is in a role of audience. He/she writes to better comprehend his/her ideas and received information. Students know that the document will not be corrected by the teacher so he is free in writing what comes to his/her mind.

Strategy Pyramid History (2, 198) ensures involvement of every student (weak and strong academic wise) in a writing process. The students are not afraid that they will not be able to write something. They are in a role of a writer composing small story and then will fill in the pyramid jointly.

Students learn how to comprise the story, see the problem and find the solutions independently, listen to other's ideas and respect them. Pyramid history involves three phases: 1st one-filling in the pyramid in group, the whole class is involved; the 2nd stage-students expressing their thoughts individually and the 3rd stage discussing the text together.

Teacher has a pyramid in the beginning of the class written on a board.



The first line is for the name of the main character of the story (the class decides on that jointly); the second line is used for two words (adjective) to describe the main character; the third is line about where the action takes place; the fourth one is of four words which describes the main characters problems; the fifth line should have five words which describes the episode from where the main problem evolves, the sixth line-six words about development of the events; seventh line comprises of seven words about the new event which serves the solving the problem; and the eighth line shows the final solution in eight words. The teacher together with the students chooses the best story and puts it on the board. After filling in the pyramid the students are asked to come up with their version of the story by using the already named words. Besides these words the students can use other words as well. The stories have to be written during the class in about 10-15 minutes. The volunteers read their stories in front of the class.

This method is effective for the Georgian and foreign language classes where the vocabulary of the students can be seen well. Students try to identify a problem and also look for the solutions. Creative thinking is developed and what is more every student is trying to write a story independently without help. Writing becomes an interesting activity for the

students

Strategy-“Role, Audience, format, topic” is especially effective while working on the functional stylistic issues, however with adaption it is also possible for the V–VI grades. Students learn how to write a statement, card, private or an official letter. This method helps the student to realize his/her own role well and this way forms the ideas better and clearly. The following words are written on a board

- Role
- Audience
- Format
- Topic

Students pick the topic, for instance: **Role**-who are you as an author of the text?-famous singer, Minister, flower;

Audience/Reader-who are you writing to? River, yourself, company.

Format: what type of format are you planning to use? Diary, newspaper articles, love letter

Topic: what are you planning to write about? Who does it concern to?

Students are asked to write a story by using these four elements. This method can be used at a reflection stage of the learned material.

These strategies enrich the teaching practices; develop various skills among the students to form individual approaches, explain their ideas and strengthen with the arguments and collect the information. Development of the writing skills contributes to the students being more attentive while reading, being more cautious while writing, getting used to critical thinking.

Strategies are oriented on teaching-learning joint process and ensure students' creativity. The more strategies know the students the better and interesting becomes a process of writing the homework. When, how and which method should be used this is for the teacher to decide as there are no ready recipes. All methods are good if they help us achieve the aim. These aims themselves are listed in the standards of each course.

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Proper Education Model in Global System

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Abstract

In this article, the process of primary education to university education and the model which will suit it the best in today's globalized world is being described. We stress the role of trainers, managers, students, and the physical infrastructure involved in the implementation of these programs which has to be focused on.

In addition, in today's world global competition and cooperation is developing rapidly and as one strives to be ahead in this race, adoption of global peace educational policies and the ability of combining different cultural structures and how to use it in this direction has also been emphasized.

Keywords: education model, global system, global peace

Introduction

The most important resource of a state is its young population. Even if a state does not possess natural resources like petrol and diggings, considering its young population and its power in today's world is the best investment for the future goals. Today we observe states which do not possess any of the above mentioned natural resources but by adopting educational programmes of a national and global scale they utilize the intellectual energy of their youth so that they are even more advanced countries economically as those with natural resources. Likewise, there are countries which do possess natural resources but fail to utilize them as they have no capability of processing them and have no qualified human resources.

All the above mentioned would mean that not only accessing information/knowledge and utilizing it is not enough to become successful in today's global world but it is also important to be able to generate new ideas and knowledge which is actually more significant than possessing natural resources. It goes without saying that when creating and adopting the model of a modern education cultural heritage and dynamics of a particular society should not be neglected and even should be utilized in a positive way.

I. Classical Model of Education

There is a classification of three basic society types – agricultural society, industrial society and information societies but we can also add the fourth type of society which can be classified as “consumer or/and entertainment society”. One can prefer specific type of society to another. Industrial society can be preferred to the agricultural society while information/knowledge society can be seen superior to the industrial one. Of course, this kind of approach can not be considered as an improper one but it does not matter which type of society is being considered, it is always crucial to focus on the goods and services that a particular society produces in order to be competitive in today's global environment.

Relying on the above mentioned distinctions it would not be wrong to assume that the classical model of education is the one which only provides information for its youth and transfers technology from the outside not generating knowledge itself and not encouraging its youth for generating new ideas necessary for development.

Countries with considerable high younger populations should follow this very path of generating new ideas and encouragement of youth in this direction rather than following the classical model of education which only allows them to be passive utilizers of technology/knowledge. The educational model which can be defined as “Individual Model of Education” can be useful for countries which do not possess natural resources like gas, petrol, flora as by utilizing this very model they can become countries that are independent rather than dependent on external goods, services and knowledge and be the ones which export technology, goods and knowledge themselves achieving high standards of economic wellbeing.

II. Individual Model of Education

Today we all experience the process of globalization. Economic, political and cultural boundaries are being somehow disappearing which has number of positive and negative consequences as well. Different standards, cooperation, technologies are being used in all over the world, multinational companies and finances have crossed the national borders which makes global competition even more intense. Taking these facts into a consideration it becomes clear that countries who wish to become successful in today's highly competitive world and at the same time protect their national interests and identity while at the same time meet the standards of a modern economy, they need to develop and adopt the individual models of education.

While designing the model of individual education it is crucial to be aware of modern informational technologies

which made the emergence of new global values possible as the time and space notions become more closely inter-related with each other. In today's globalized world, the state should be focused more on individual development of its citizens and providing more opportunities of equality rather than intervening in economical matters all of which has to be realized according to the democratic requirements. In such an environment it is absolutely inevitable to bring up individuals according to the mentioned education model on the state level, as well as on the personal levels.

In this model of education the notion of life long learning has to be incorporated as well that would mean the distribution and provision all the masses of people with high quality knowledge that will enable producing highly qualified individuals. As a result of this, global cooperation can be observed in different fields like health sphere and prevention of diseases, intensifying production and consumption, flow of goods and capital between countries, spread of the common life styles and habits.

It goes without saying that globalization has its negative consequences along with positive ones. The Individual Model of Education aims decreasing or avoiding the negative effects of this process while fosters all the positive sides that comes with it. In short, this particular educational model will help individuals and societies to adapt to global changes and even make them successful in all areas of modern life. Developed and developing countries nowadays try to focus on this educational model.

Below we try to elaborate on different aspects of this model which are: selecting – placement, infrastructure, manager, teacher/mentor and pupil.

III. Selection – placement within the educational system.

Employers require basic skills like analysing environment properly, analytical thinking, synthesis, problem solving and effective communication. In today's educational systems it is more important to select the profession which meets the persons capabilities and requires devotion rather than those ones that are reflections of personal ambitions and needs, selecting profession in which a person will become successful rather than selecting a trendy and popular one gains importance day by day. This can be achieved by conducting the process of selecting-placement properly and realizing it without any compromise. Levels of primary and secondary education are involved in this very process. Along with qualities like manner cultivation, discipline and education personal talents and abilities should be discovered.

Educational process can be divided into following phases: pre-school age: 5-7, primary school: 7-15, secondary: 15-18. In the first two phases profession/education spheres are being selected according to age groups and abilities. During the second phase which is a primary educational phase, those abilities and skills are being selected which are needed for secondary/higher phase. As a result of these policies, individuals already develop abilities and acquire specific knowledge that is required for higher education. Accordingly, individuals are able to choose those spheres of education in which they will deepen their knowledge and will already be ready for university level of study. For example, an individual who registers in quantitative sphere will take courses like mathematics, physics, chemistry during the first year of study.

IV. Infrastructure and Teaching Programmes in the Educational System

When mentioning an infrastructure in the process of education, specific equipment and laboratories that help pupil in developing required skills and abilities come to mind. It is also crucial to make the knowledge that is given on a particular level of education applicable generally. Giving practical examples in all spheres/disciplines is very important aspect of an educational process from which students surely benefit. As the saying goes: Those who learn/read – forget, those who see – remember, those who do – learn. Besides, students should have access to technical/technological devices/equipment and be able to contact their tutors any time needed.

Educational institutions must focus on strategies which enable student to acquire wide range of knowledge and capabilities rather than gaining narrow knowledge of a discipline studied. By doing so, individuals will develop problem solving abilities and will be able to utilize the acquired knowledge in a practical way turning it to a positive feedback whenever needed. In today's globalized world those educational programmes which produce thinking, problem solving and flexible individuals are worth of attention to be paid. In this type of educational process more attention is being directed towards the learner when a tutor is only the one who directs the learners intellectual abilities in a positive direction.

Especially, the issue of teaching a foreign language during the secondary/higher level of education is highly discussed one indeed. Here the main issue would be the necessity of learning a foreign language according to every persons capabilities and/or mastering the specific profession he/she has chosen. In case if students may choose the foreign language themselves, they should be given an opportunity to gain extra credits for any selective language as well.

IV. Administrator in the Educational System

During the last 25-30 years our globalized world has become a place of states and nations where it is crucial to be open minded to new developments, benefits from all the goods that this process brings. This is the phase of transferring of industrial economies into knowledge base societies, when national economies tend to become global economies, when centralized management is changed into local governments, representative democracies into inclusive ones.

Managers who want to adapt themselves to these rapid changes must be able to motivate their employees, create the shared group vision and effective educational programmes and utilize human resources in a positive way.

Managers should also possess features like managing information, using intuition, persuasion and continuous learning as well. Managers should be the leaders of the educational institution instead of being the *watchmans of the institutions*.

Each manager has a responsibility of developing a vision and sharing it with all members of an organization within the individual educational model. Vision means formation of the picture of future achievements that is common for all. In other words, managers of institution should possess qualities that are necessary for focusing on basic goals, effective communication skills and creating visions that consider all the possible risks that may occur during the process.

V. Teacher/Tutor in the Educational System

The most important role is the one of a teachers/tutors in today's rapidly changing world. Therefore it is pivotal for teacher/tutors to constantly update their knowledge in order to provide students with high quality information needed for their professional as well as for personal growth. Especially, high quality specific knowledge gains importance that is possible by means of *life long learning* strategies.

A teacher should direct a student towards the necessary knowledge rather than putting him/her in the role of a passive knowledge/information recipient. Besides, teacher should be able to operate in a multicultural environment developing individual approaches to student from different cultures. As a matter of fact, teacher should be able to encourage students with different capabilities of knowledge perception and get original feedbacks from them rather than expecting standardized feedbacks from all.

VI. Student/Learner in the Educational System

One of the most important requirements of a modern times is being able to rise generations which possess latest information in all fields of knowledge and possessing flexible features needed for operating in today's rapidly changing global environment. Today, considerable number of individuals selecting university level of education in developed societies prove the importance of higher education in developing skills and gaining knowledge that is necessary for future employability and competitiveness. International educational programmes like ERASMUS which seek to develop competition and cooperation on a local and global scales are programmes that enable higher educational institutions as well as students to benefit from different models of education.

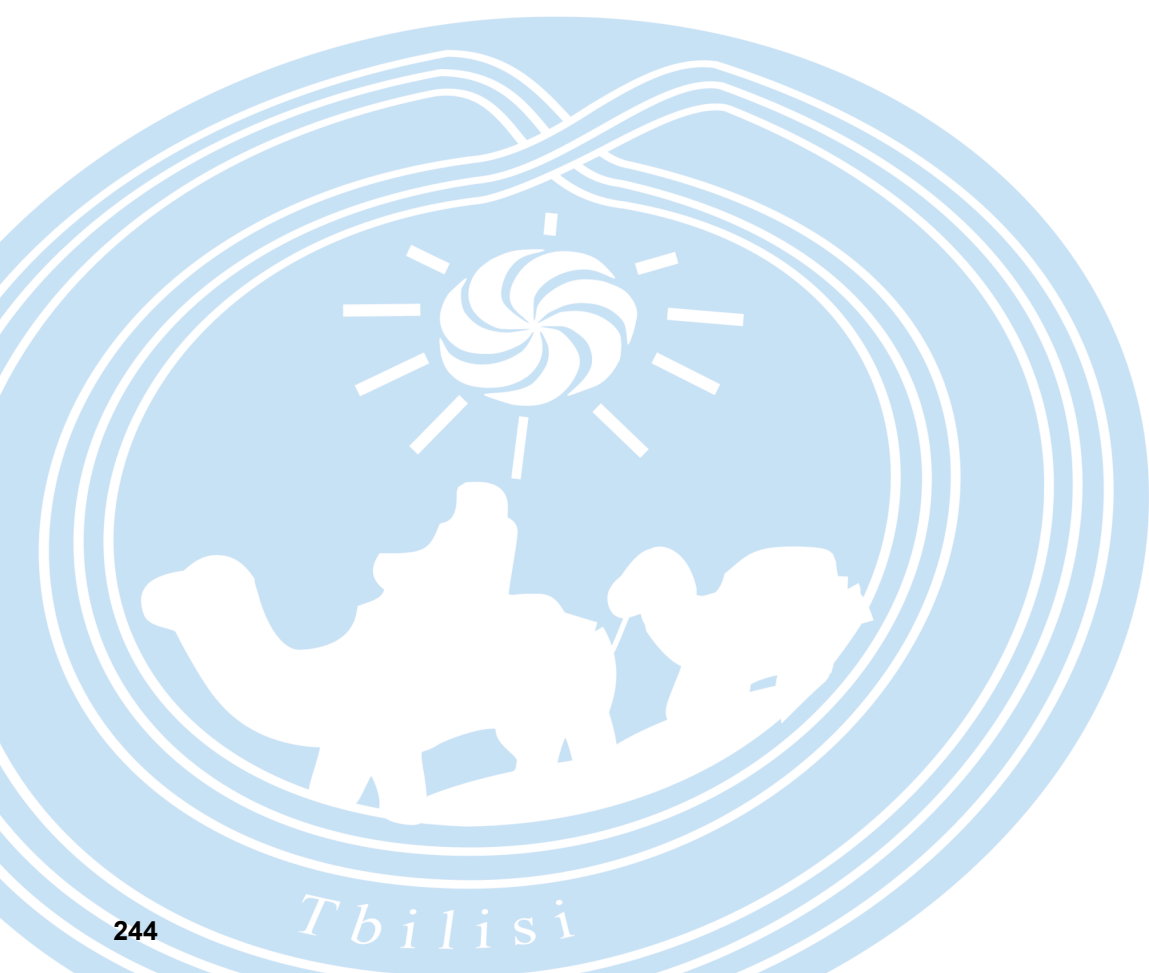
According to the individual educational model a student should be able to benefit from the educational and societal environments that will enable him/her to become a fully socialized and self-realized individual. However, one must not forget that no matter how high quality an educational institution and the knowledge acquired is, it is up to an individual itself how he/she utilizes all the above mentioned possibilities in the professional life. A person should seek the continuous learning even after graduation, must search for new perspectives. In other words, individuals should be flexible in working in international groups developing different projects, always seeking for update information using their power of imagination without any preconception and prejudices, being open minded and active personalities.

Conclusion

In today's rapidly changing social, political and cultural environment it is clear that knowledge/information and technology constitutes the key to success in every field of life. Those countries who are successful in this very field are the ones which employ a considerable number of their population in the informational sector/higher educational institutions. A significant shift from export based industrial economies towards the economies of information and service can be observed. Taking all these facts into a consideration the role of the above mentioned education models becomes clear for creating an atmosphere of cooperation and intercultural understanding.

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Development and Current Trends of Business English Correspondence

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Abstract

This article discusses the importance of business English writing in the modern world. It gives the comparison of the oldest and latest Business letters, discusses the style and differences between the old and modern demand in business English writing style. The article explains the reason of the changes business English writing style has undergone and provides useful information about the current trends in business English correspondence advised widely by the different scholars. The main aim of the article is to show the importance of Business English correspondence in the constantly developing and digital world, which is becoming smaller because of process called globalization. It also gives some considerable tips to establish correct, successful and profitable business communication via writing between the units having different cultural background.

Keywords: business communication, business correspondence, business English writing, business letters, writing style in business

Business becomes borderless and undergoes continuous process of development in modern world. Its unlimited nature and constant demand of promotion dictates own rules. These are finding new markets, establishing profitable partnership and developing successful communication. Communication has quite broad concept. Communication can be verbal, nonverbal, visual and written. Each of them has its advantages and disadvantages and each of them needs to be mastered.

As business is spreading and more international companies emerges so verbal and visual communication becomes harder. People don't have enough time to interact face-to-face, consequently, business written communication has undertaken the role of keeping business partners informed in all circumstances. Technological advancement also promotes business written communication as it makes communication easily accessible, less time consuming, comfortable and reliable – provides a proof in case of disputes.

Sophisticated Business English writing is really essential nowadays. The process of globalization which is worldwide movement toward economic, financial, trade and communication integration, make or encourage people to interact with each other despite of their cultural, religious and origin background. Diversity of humans creates need of common language existence. Business is the most sensitive when there is need of communication in diversity. Indelicate communication may cause misunderstanding that may lead to unsuccessful partnership or just failure of a case. Sensitive nature of business raises the importance of correct formation of communication forms but first of all, the language familiar to every business person is needed. It is observable that business companies mainly choose English language to expand their business globally. It has several reasons: firstly, English is easy to learn. Secondly, English is the language of counties: the USA and the UK whose economy is stable and who have great experience to share. And finally, the choice of any common language or lingua franca made by any global company, or by the companies which tend to have global orientation is precondition of their development and advancement.

Unlimited nature of business expansion and choice of English as lingua franca rises certain demands to English and to its tutors. More and more courses are offered to study English well and to respond to the current demands which imply mastering of language for specific purposes – an approach of language teaching in which all decisions as based on the learners' reason for learning. Due to that Business English is taught as a separate unit and useful tool for business people. *“Business English is used for commercial purposes. It is a communicative medium in business organizations to carry out several functions. It is a shared medium in a global business scenario helping non-native speakers of the language to communicate with each other. Business English is a communicative competence that needs to be understood in the context of the workplace.”* (Business English, 2008) Teaching and learning of language for special purposes mean mastering all necessary skills to fulfill successful communication in that field. Communication is transmission of verbal or non-verbal information. More precisely, process of two-way communication is not only just the transmission of information; it is composed of several components. These are: sender – it is an initiator of the communication process, it is followed by encoding – process when sender renders its thought and ideas into appropriate message using the medium/message. Medium/message is a system of codes and signs that have meaning shared between a sender and a receiver. Message is followed by the process of decoding. This is a process of comprehending the message. This process is fulfilled by the receiver, a person to whom the message belongs to. Communication is successful if receiver gives the right response to a sender, in other words if there is right feedback from a receiver. (Business English, 2008)



Fig.1: Communication Cycle

Creation of correct messages is the precondition of successful communication. Due to that, any skill is vital. However, writing skills is becoming more and more important as long distances make oral communication harder and modern technologies make written communication easier and faster than ever before. To establish successful written communication certain modern demands should be taken into consideration. These are the writing rules for each type of business correspondence. *“Business correspondence is the communication or exchange of information in a written format for the process of business activities. Business correspondence can take place between organizations, within organizations or between the customers and the organization.”* (Wikipedia) Business documents produced in written form are letters, reports, memorandums, grants, proposals, brochures, pamphlets, newsletters and etc. One of the most popular forms of written communication is a letter.

Business written communication is not new for the world. According to Richardson’s findings the latest English letter dates from 1392 only and business letters appeared in 1420s. (Richardson, 1980) The reason according to his explanation was domination of Latin and French languages that time. Aristocracy and chancelleries used these languages. They were skillful in using “a very stylized form of letter-writing” known as *arc dictaminis* or the *dictamen*. The dictamen was mostly practiced in the Church and in the governmental departments which used churchmen as administrative staff. The dictamen was not taught officially until the second half of the 14th century. In the middle of the 14th century England reached the high level of economical development and the demand of the professionals mastering the letter writing style rose. Despite the fact that skilful scribes offered their service to community, the special course of art of letter writing was offered to English universities. Letter-writing style was taught by imitation, providing the samples of the letters and its adaptation to the certain circumstances.

The rules of the *dictamen* were complex and the form of the letter varied according to the intent of the letter. However the style of the letter followed the following pattern.

1. Address: formulaic and polite, e.g., “worthy and worshipful father”

2. Salutation: e.g., “I greet you well”, “I recommend me unto you”

3. Notification: e.g., “and let you know that...”, “and please you to wit that...”

4. Exposition: further information about and explanation of the subject. e.g., “Whereas”, “for as much as ...,”

5. Disposition: e.g., “whereupon”, “wherefore”, “whereof”, a request or demand.

6. Valediction: e.g., “God have you in his keeping...” etc.

7. Attestation and Date: “written at...”, plus the date, often written as the year of the king’s reign. (Thomas, 1999)

Let’s discuss one of the ancient letters to illustrate the practice of the earliest Business letter writers. One of the oldest Business English letter belongs to The Celys, the family which gathered its wealth by trading wool. The letters cover a period from 1472 to 1488 and were preserved because the family was involved in lawsuit and the court did not returned the letters as they were one of the main evidences and official proof. The letters are not only dedicated to the business activities, they mention other subjects as well such as family and political news. Here is one of the examples of the family letters.

“Right worshipful sir, after due consideration I lowly recommend me unto your mastership. Furthermore, please it your mastership to be informed that Margery his daughter is passed to God. It [she] was buried this day, on whose soul Jesus have mercy. Sir, I understand it [she] had a great pang; what sickness it was I cannot say, etc. Item, sir, Bottrell [a competitor] is departed out of Calais and is in England, and this day his wife goeth to [him] with all her stuff, and they be commanded that they shall not come within the town of Calais as long as my Lord Chamberlain is Lieutenant of Calais, etc. No more unto your mastership at this time, but Jesus keep you. Written at Calais the xxix day of August [1482].” (Richardson, 1980)

The sample letter shows that style of letter-writing was quite complicated and letters used to be wordy and lacked clarity. However it was the demand of business community of that time and authors tried to take into consideration those requirements. Notwithstanding the strict rules of letter-writing style, the letter did not exactly follow those patterns. Some of them did not have salutation and additional information or some other elements despite the authors’ attempts to stay close the *dictamen* style. Derogation from the rules has its reasons. One of the can be the education of the family. The family was from the middle class and they supposedly did not have proper education in letter-writing style. The other reason seems to be the relationship between the communicators. The communicators were the family member quite often and this circumstance may lack the impotence of official style. The other reason, according to Thomas, is stated to be the limitation that any rule creates. The *Celys* did not seem to see the necessity of rules while communicating with their audience.

The rules of *dictamen* faded gradually. It is hard to say when exactly it started but it really imposed limitation in communication to the business people, especially the ones who were not the members of the elite group and did not have opportunity or willingness of necessity to educate themselves to master skillfully the demands of the *dictamen*. However, we cannot say that the dictamen vanished completely. The modern letters have some features which greatly resemble to the oldest Business English letter writing style.

Nowadays there are some ways of producing letters. They can be printed on a paper or produced electronically.

The letter produced electronically is known as an e-mail. Sant gives the pragmatic difference between these two units. According to him, “*e-mails are quick, casual and convenient.*” (Sant, 2008) But despite of all these good qualities it still has some deficiencies. People usually get a lot of them and they did not take them particularly seriously. They are not confidential and they are overloaded with information and can easily be ignored or delayed. As for the letter, it requires “composition, printing and mailing” (Sant, 2008), which means that it needs some work. “*The fact when you are getting a letter you’re really getting something tangible, something you hold in your hands – gives them a bit more importance.*” (Sant, 2008)

It does not matter what kind of business letter you are sending the certain rules are common for each type. A lot of business English courses offer widely the explanation of letter writing style and they also provide a lot of samples to illustrate the effect of these rules.

Modern Business English letter writing style consists of following basic components:

1. **Sender’s address** – sometimes the companies have blank paper where address is given

2. **Date** – below the address line.

3. **Inside address** - The address of the person you are writing to along with the name of the recipient, their title and company name, if you are not sure who the letter should be addressed to either leave it blank, but try to put in a title, i.e. “Director of Human Resources”.

4. **Salutation** – “Dear Sir”, “Dear Madam”, “Dear Sir and Madam”, it also includes individual’s name, if a receiver is known. If the reader’s name is not known then “Dear sir/Madam”, or person’s title can be used or the phrase “To Whom it may concern” is quite acceptable. If you write to a company, then the company name can be used in salutation.

5. **Subject Line (optional)** - makes it easier for the recipient to find out what the letter is about

Skip a line between the subject line and the body.

6. **Body of the letter** – the actual message of a letter.

7. **Closing sentence** – state what the reader needs to do and what you will do to follow up

8. **Complimentary closing** – “Yours Sincerely”, “Yours Faithfully” – this is a polite ending of a letter. Excessively familiar closing should be avoided and they should be preserved for private correspondence.

9. **Signature** – this item sometimes is omitted and is only used in case the letter is printed.

10. **Name of sender and position** – this includes sender’s full name and his title. Sometimes sender’s contact information is also given.

11. **Enclosure** – this is the line which tells the reader that there is something more in the envelope. If there is more than one item you can use plural “Enclosures”. (Geffner, 2010)

Business letters can have different arrangement styles. Companies can use either of them and can require its employees to follow it.

One of them is **Full-blocked** style when all letter parts

are on the left side. Another is **Blocked** style. Like full block style most business elements are on the left except the date-line, complimentary closing, company signature and writer’s identification which start at the horizontal center of the page. **Semi-blocked** or **Modified blocked** style is the same as blocked style but the beginning of each paragraph is indented five or ten spaces. When you use **Square-blocked** style you write the date on the same line as the start of the inside address and ends at the right margin. The other distinction is reference initials and enclosure reminder appear on the same lines as the signature and signer’s identification. This format is useful for long letters to fit them onto a single page. Administrative management society designer **Simplified or Ams** style which is efficient requires less time to prepare and type. Simplified style looks like blocked style but it has some characteristics: no salutation or complimentary closing used, entirely capitalized subject line, signer’s identification printed in capitals and lists are indented five spaces unless numbered or lettered. (Geffner, 2010)

As it is shown business letters have special and quite strict demands in style, but the format is not only important, content of the letter and its ability to bring the message to a receiver correctly is the most important. Business letters are valuable by their qualitative characteristics. Successful business letters should be **1) Clear, 2) Concise 3) Complete, 4) Concrete 5) Courtesy 6) Conversational 7) Correct, and finally 8) Suited to its audience**

Clarity is the quality which enables reader to understand the letter the first time he reads. Five main points should be taken into account to make a letter clear: these are, creation of short sentences and usage of short clear words mainly, domination of active voice, avoidance of long dependent clauses as a start of a sentence, stating key ideas in the topic sentence in the beginning of each paragraph. (Sant, 2008)

Conciseness is art to say much with a few words. More precisely it is the opposite of wordiness which is one of the most common complaints of business people. Sometimes conciseness is not well understood and writers often eliminate some functional words that damage the main point of the letter. If we want to be successful it’s better to be clear than concise because clarity is more important. “A clear message will have more impact and will be more memorable if it’s also a concise message.” (Sant, 2008)

Completeness this is the quality when all necessary information is provided. All data must be designed with a purpose in mind and it should provide the answer to 5 questions: who, what, when, where and why. (Muckian & Woods, 1996)

Concreteness is usage of specific numbers, figures, ratios and facts whenever they are available.

Courtesy this is quality which wins the reader’s heart, which implies usage of words such as: please, thank you and so on. Courtesy is ability when writer shows his vulnerability towards the reader’s problems.

Conversational is a letter when the language use is not too formal and it sounds a bit friendly. Other demands of Business letter writing should not be neglected, but a bit casual style may lead to better understanding.

Correctness is one more important quality of easily readable letters. It implies correct usage of grammar, punctuation and spelling. Nowadays, there are a lot of spelling and grammar checkers, which enable writers to write letters accurately. A letter with error cannot be taken seriously.

Sant added one more unit for high quality business letters

ter. That is adjustment of a letter to its audience. He advises to underestimate the audience rather than overestimate their knowledge, to maintain objectivity and professional tone, to give key points and less technical details.

Let's see a modern business letter to illustrate the current demands of qualitative business letter writing style. The letter is taken from "Academic Studies English". (Childs, 1999)

As it can be seen from the sample the modern letter unlike the ancient ones it follows almost all requirements that make letter important and significant.

The driving force of business English correspondence is a letter nowadays. Digital world made written communication vital for business community as it is cheap, convenient, fast and less time consuming. It promotes fast decision making process and advances the communication between partners living on the opposite parts of the world.

Style of business English guarantees the clearance of a message and consequently the right feedback from a receiver. However, it is not easy to follow all the demands of the business letter writing style in English, especially when it is a digital document. Whereas, Comparison of the oldest and the modern letters give the notion that some points are always important, no matter when the letter was created. These are address, date, salutation and signature. But it is apparent that modern business English letters demand more details, more clarification and more preciseness as business is becoming more and more multinational and requires tight cooperation between the companies having different cultural background.

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55 Crawley Drive
Fredericton, NB E3B 2G5
October 17, 1993

Thomas McIntyre
Simon and Gould Processing
12 Brenan Road
Fredericton, NB E2A 1A0

Dear Mr. McIntyre,

I am writing to apply for a job with your company. I have had experience working on developing machines, both at Green's Discount Processing in Bathurst and at Fredericton Graphics.

My complete employment history and educational background is in my résumé, included with this letter. I am hardworking, and I am only satisfied when a job is done well. Also I like people and deal with customers well.

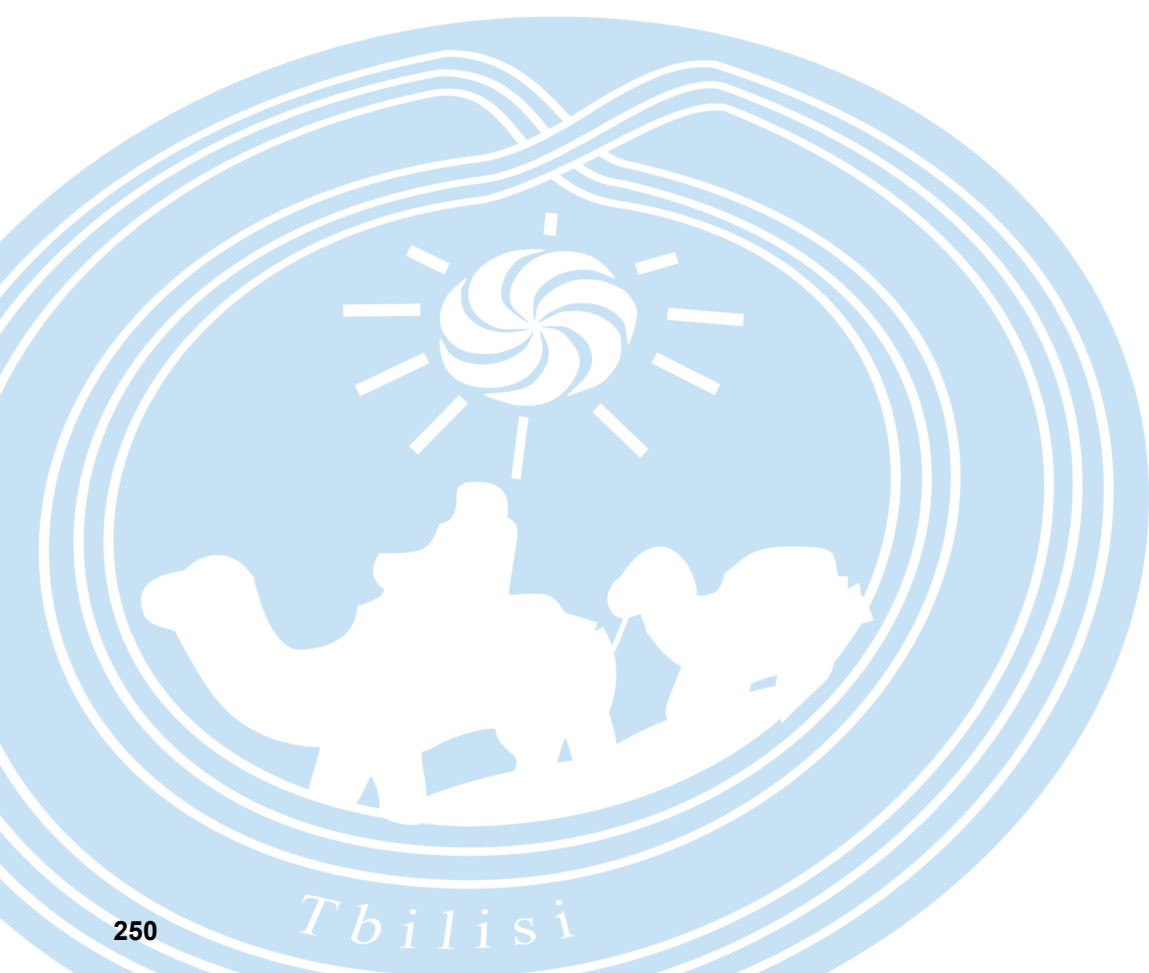
I am available for an interview at any time. Please call me at 555-1213.

I look forward to hearing from you.

Sincerely,

Doug Stratford

Doug Stratford



From Violence to Humanity – Main Challenge of the Contemporary School

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Abstract

One of the major challenges of modern educational system is prevention of violence. Despite the strong efforts from the government, violence remains as the biggest problem at schools. The article deals with the causes and results of violence at schools and gives recommendations to prevent violence.

Keywords: violence, prevention, modern education system

Safety at school is an important, and at the same time, a very relevant issue. Socio-economic problems, which have gathered in the society, are very often expressed on the school-life, which distorts its normal functionality.

Unfortunately, violence, and more specifically bullying, is a widespread phenomenon in Georgian schools, just like in many other countries around the world. For some children, school is a reason for suffering and stress. Frequently, the causes of such cases are the incidences of mockery and jeering that are expressed in the direct or indirect terror: constant violence from the students of the same age or older – beating, threatening, humiliation, spreading the gossips. Psychological violence happens not only between the students, but within the process of the teacher's and student's relations[5].

Studies regarding the scale of violence, its causes and following results are only rarely conducted in Georgia. But even the poor available data makes it clear that the violence is a part of the school-life for the large amount of students.

One of the largest studies was conducted in 2007 by the Ministry of Education and Science and the United Nations Children's Fund. The goal of the research was to identify the forms and distribution of the violence in the schools providing general education, and, correspondingly, to determine the scale of the problem of violence at school.

According to the abovementioned studies, majority of students (77.5%) always consider themselves safe at school (UNICEF 2008)[2]. But almost half of the interviewed students declared that during the past year they have had a case of violence at school. According to the research, mostly students of the young age (10-11 years old) speak about violence. The research also provides us with the important information about the expression of violence and their different distribution among the girls and boys[3].

47.1% reported that they have been victims of the physical violence. Most frequently, the following forms of the violence are found: hitting on the hand or the arm: 20.5%; twisting the ear: 17.4%; pulling the hair: 17.2%; anyone

hurting them: 13.2%; slapping into the head or the face: 10.3%; pushing: 9.5%. Severe forms of the violence are quite rare (wounding with the sharp knife: 0.5%; forcing to do something dangerous: 2.0%; tying: 0.4%)[3].

47.5% reported that they have been the victims of the psychological violence: being shouted: 20.2%; being frightened: 18.2%; being threatened with bad marks: 17.8%; being called rude or hurtful names: 15.2%...). As for the sexual violence, 5.6% of the students declared, that the sexual abuse has been exerted on them. Here, the most widespread form of the violence was showing pornography (4.5%) and the unwanted kiss (0.8%)[3].

In 2010-2011, the school safety, and correspondingly, management of the violence issues at the school level consisted of the following measures: 1. Establishment of the association of the School Resource Officers; 2. Division of schools into three stages; 3. Introduction of the credit cards and prohibition of money at schools.

Pursuant to the Law of Georgia on General Education, in order to achieve the main goals of the general education policy, the state provides eradication of the violence in the institutions providing general education (article 3, sub-paragraph-g). In accordance with the amendments made to the same law in 2010, the Office of Resource Officers of Educational Institutions is the institute responsible for creation of the safe environment for the health and life of the pupils and students in the educational institution. Pursuant to the provision on the office of resource officers, this office provides protection of the public order in the educational institution on the basis of the agreements formed with the legal entities under public law included in the system of the Ministry of Education and Science (Article 1, sub-paragraph 1). On the other hand, the Public School Principal's Standard defines a public school principal's knowledge and skills, professional values and obligations and ensures creation of the safe and encouraging educational environment.

Despite the efforts of the Ministry, the problem of violence still could not be resolved in Georgian schools. It is necessary to conduct a detailed research on the root causes

of violence.

The problem arose because of the several substantial reasons that have state, social and personal ground.

1. We were not able to raise the idea of the devotion to the national values and serving the public to the level of the state policy. Main reform document – “National goals of the general education” has been constructed quite skillfully, but most of the schools do not really realize how to achieve those goals.

2. Despite the fact that the course on “Civil Education” has been introduced, the problem lies in a competent instructor of this course. Unfortunately, among the highest educational institutions in Georgia, only two of them offer preparation of the civil education teachers. Mostly, teachers of different subjects combine teaching the civil education with the goal of fulfilling their hourly requirements. “Violence only rarely occurs around me, more specifically it does not even happen, but I have often heard about violence in the children of my age or older. And this has been so-called “thievish squabble” and later this becomes a reason for fighting and physical violence against one another. I have heard about the similar facts... There has also been a case, when somebody does not know the multiplication table and this becomes the subject for mockery and discussion by the whole class. We have often talked about bullying in the civil education classes. Therefore, I and my classmates know how to protect ourselves”[1].

“I think that today the cases of bullying by the same-age individuals are rare, because we are studying the civil education and we can protect ourselves from specific attacks. We know the laws that can help us in this process quite well”[1].

3. State efforts to organize free time of youngsters are not enough, they are fragmented and full of defects (system practically does not exist here), which does not even create illusion of the massive character. Georgian media also works a little on promoting correct civil education of the youngsters.

4. The most severe problem is: non-sport lifestyle of the contemporary youth. Inappropriate attitude of the students and youth toward the sport caused a serious problem. With the background of ignoring values and the healthy lifestyle, drug addiction arose as a big problem which almost reveals the signs of social epidemics. The problem of alcoholism has also suggested a need to be rethought, which has never been a “Georgian problem”.

5. Because of the insufficient labor compensation, schools are empty of the male teachers, which creates practically unresolvable pedagogic issues with regard to the education of the boys.

6. Not sufficient amount of social workers

7. Low level of the legal culture, generally in the society. “Free” attitude toward the law, selective law and “corporate morale” (which means that different person or group of persons act differently in their “own” and “other” environments) is not a new thing for Georgia.

8. For the most part of the Georgian society, the “value” is represented by hiding some crime or fact of the severe asocial act – antisocial silence.

9. There is a personal disinterest (“it’s none of my business”), indifference, avoidance and even fear toward the criminal (or anything close to it) actions of the youngsters _

large part of people does not or cannot represent the civic responsibility.

10. Big problems originate from the family education _ considerably significant portion of the parents does not possess simple competence of the educator, and many of them do not possess the appropriate responsibility. Cases are frequent, when the parents and children, for different “reasons” or attitudes, do not find time for each other, which is disastrous for both parties.

Violence in young people is a complex problem and it can only be solved by the systematic approach _ separate analyses and efforts will not change the general picture. Therefore, following the creation of the state program to solve this issue, substantial importance will be given to the connection of theoretical resource to the human resource _ many organizations, institutions or separate persons will be involved in implementation of the program and their coordinated, mutual actions will be important challenge for the culture of program management. Only corporate kindness can defeat the large-scale harm. Monitoring of the program must consider public reporting of the results at all substantial stages.

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Educational Innovation Multimedia Projecting in Higher Education Didactics

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Abstract

Higher educational institutions today are still dominated by traditional approaches to teaching, which lead us to the discrepancies between graduates education and their practical skills needed in the workplace. Thus, it is necessary to instill methodological innovations in educational didactics. In this paper, the use of multimedia technologies is regarded as an innovative problem based teaching-learning strategy that will develop creative, critical, analytical thinking among students in the process of preparing multimedia projects, and will give them the practical skills needed to address the real situation.

Keywords: multimedia project; problem based teaching; group working; problem solving

Introduction

Today in the global educational system they often talk about the problems related to discrepancies between public demand and the knowledge of the of higher education institution graduates. Namely, that they lack creative and communicative skills, analytical and critical thinking and problem solving abilities in the process of practical application of knowledge . Thus, there is a great demand for higher institutions to focus on graduates' preparation in order they to be more adaptable to the needs of the workplace. [1], [2]

Research and education community believes that the transition to a problem-based learning is a tool to solve the above mentioned problems. This is a student-centered teaching strategy. During this type of teaching students gain valuable experience through research in real-life problems, which is useful for them to succeed in their professional career. [3]

Today, many training institutions follow the problem-based teaching , which is completely different from traditional teaching methods .When using traditional forms of teaching (lectures, seminars , practical classes , lecture -trainings , etc.) only a teacher conducts a training process and a student memorizes only the information provided. However, during problem -based teaching a student is a problem solver who tries to understand the problem and looks for the best way to solve it. [4]

The traditional approach does not encourage students to ask questions about learned material and he/she can't associate the acquired knowledge with practical application. But the problem-based teaching is considered as an innovative tool that will encourage students to find out how to learn through real-life problems.

That is, the problem -based teaching methodology is the basis for the training model presented in this paper, in which multimedia projects are used as a means of problem -based teaching .

A series of preparatory work preceded the implementation of above mentioned educational technologies, as a result of which we implemented the project in the learning process, and finally , we analyzed the gained results in order to determine the effectiveness of the project ..

I. Preparatory stage

- **Establishment of the studio** - on the base of University Computer Centre a studio of e-teaching multimedia resources studio has been founded, the aim of which is to assist university professors and teachers in the process of creating technology-based multimedia interactive resource.

- **Creation of interactive electronic training courses.** Working on the problem based teaching model led us to the need to change the curriculum , teaching methods and assessment model.

In the studio we have prepared multimedia video - audio training courses based on interactive methods of teaching in order to learn database design (based on the software platform, MS Access) and construction of a multimedia presentation. Duration of the training course is one semester.

- **The project offered students:** an interactive audio-video course, constructed with the help of multimedia technologies (Tutorial); practical training course manual in electronic form; Practical course in printed form.

Traditional interactive teaching methods such as discussion, debate, individual work, pair- evaluation, etc. this time are enriched with multimedia capabilities. Students can conveniently operate their electronic resources, select needed classes and acquire knowledge in demo mode, and then interactively. This method of teaching creates individual learning environment for students. They may take a few times to

see and understand a new material while a teacher explains the problem only once due to the limitation of time.

In the content of the course, we have identified problematic issues that can be resolved only on the basis of the discussing real situations, which in turn requires highly skilled process of thinking (analysis, synthesis, and evaluation), critical, scientific and creative thinking skills, interdisciplinary connections, self-teaching, teamwork, communication and social skills.

II. Implementation of the project in the educational process

• **Selection of the target group of students** - the target group of students were selected from undergraduate students - second year of specialization in the field of information technology. Students were explained the relevance of automatic database management systems in the field of organization database automatic control, respectively, they were also explained the learning objectives of the course - "Database Design" and in the process of learning, they were offered a problem-based teaching methodology.

• **Dividing student target group into small groups** - we divided the target group students into small groups. We handed out problematic issues among the groups according to their interests; For example, at the end of the semester, at the end of a study course - one group was required to submit electronic library database model, the second group - administration of attorney's office; the third group - a shopping center, the fourth group - an educational center, the fifth - a financial section, etc. Each group formed a plan of action. Functions were distributed among group members in accordance with their capabilities. The group leader was responsible for his/her group's work.

• **Preparing student s' multimedia portfolios** - Students were given a task to study the working models of organizations related to their assignment, as a result of which they would construct relational models of automatic database management. In addition, student groups were tasked to submit research materials such as an interview with the managers of the organization, printed materials, charts, multimedia applications that use multimedia content (video-audio, graphics, text) which confirms the actual work of students - i.e. learning by doing. Multimedia applications are of JPEG, AVI or MOV format. Students' portfolios in the form of multimedia project are on the CD-ROM accompanied by research materials.

• **The learning process** - during a semester lectures and seminars are conducted in accordance with the curriculum. Students are given consultations, they perform a computer implementation of acquired knowledge (software platform MS Access), which is further generalized and then refined by them when doing their individual assignments. Students together with their teacher make decisions for a timely solution of a problem.

A teacher offers students a problematic situation, which is clear to the whole team. She/he is not trying to find just one situation to eradicate the problem, but the main goal is the students themselves to find a solution to the problem and develop some new concepts that will be implemented in future work. A teacher is a facilitator in this case.

• **Evaluation of projects.** As mentioned above, each group of students must submit a completed multimedia project on CD at the end of the semester with additional educational materials in the form of a portfolio. When assessing

students the following evaluation criteria are taken into account:

1. **Originality** - how original and creative is their project.
- 2 **Critical thinking** - how well their concept is expressed in a convertible model and how it is presented in its final form on a CD. Is this well thought out?
3. **Media use** - how well they use media elements to present their ideas.
4. **MSAccess** - how well they can use the tools in MSAccess to construct a project.
- 5 **Difficult** - how hard is their relational, navigation schemes and interactivity (linear, hierarchical) and how they have achieved it.
- 6 **Presentation** - how well they can present their material.
7. **Consolidation of applications** - how consistently different media applications are consolidated in a project.
8. **Group work** - how a group works to create a resource? Do all of them perform specific functions

III. Analysis of learning outcomes

• **Students survey using Likert scale.** To determine the effectiveness of the study model, we took into account students' attitude towards the project (survey), both individual and group basis. The survey included questions to find out students' interests when working in a group and to establish how motivated they were to develop the project. The survey also aimed to identify students critical thinking skills, and how they worked as a team. In the survey students were offered electronic testing Likert scale. Results of the survey were sent to the teachers in their e-mails.

• **Interviews with students** - we also conducted a study in each group in the form of an interview to determine their problem-solving skills and teamwork effort. It turned out that the group that presented a good project was led by a good leader. When students were asked the question: "What have you learned from this project," student groups expressed a positive attitude, telling they acquired new knowledge about the given topic, and they had never done such a project before. They mentioned that it was challenging news for them to learn that group work was not as easy as they thought, but they learned how to become a good leader, how to work in groups and so on, and most importantly, the students indicated they used the knowledge acquired in the auditorium into practice for solving real problems.

• **The need to fulfill certain requirements** - despite the fact that audience have shown a positive attitude towards problem-based teaching model in the environment of multimedia technologies, when working on a project, there are certain limitations that need to be addressed. In particular, for the project to be successful, it is necessary, first of all, that teachers and students have access to computers, so that, they work properly; Secondly, the provision of computer software platforms is needed; Finally, it is necessary the study model with the theoretical and technological teaching resource be introduced to teachers so that they implement a similar learning process.

• **Summary of research finding** - students were more actively involved in educational projects than when they are

trained according to traditional methods of teaching. The need to solve problems helped them be more motivated to acquire knowledge. They successfully implemented construction of design models and computer realization of database of the specific organizations. They were able to combine theory and practice, fuse the existing knowledge with the new knowledge and discuss specific issues.

The students presented interesting multimedia projects, which consisted of several tasks such as a practical model of database in MS Access; electronic presentation integrated with different media elements built on hypertext technology (text; graphics; animation).

Conclusion

The article deals with a multimedia learning model of problem based teaching as technological means of higher-order thinking and problem solving, which gives students incentives to use real life-oriented information-communication technologies in their learning process.

Multimedia -oriented projects can be successfully used in problem based teaching, as an innovative and effective teaching tool.

Representatives of educational institutions, professors and teachers, should be actively involved in the educational process of developing and implementing methodologically sound electronic resources, which are based on current strategies. Stimulating resources enriched with multimedia resources in the educational process, and innovative teaching strategies should be thoughtfully blended with traditional teaching methods with the help of modern information-communication technologies in order to reduce the irrelevance that currently exists between graduates knowledge and their practical skills.

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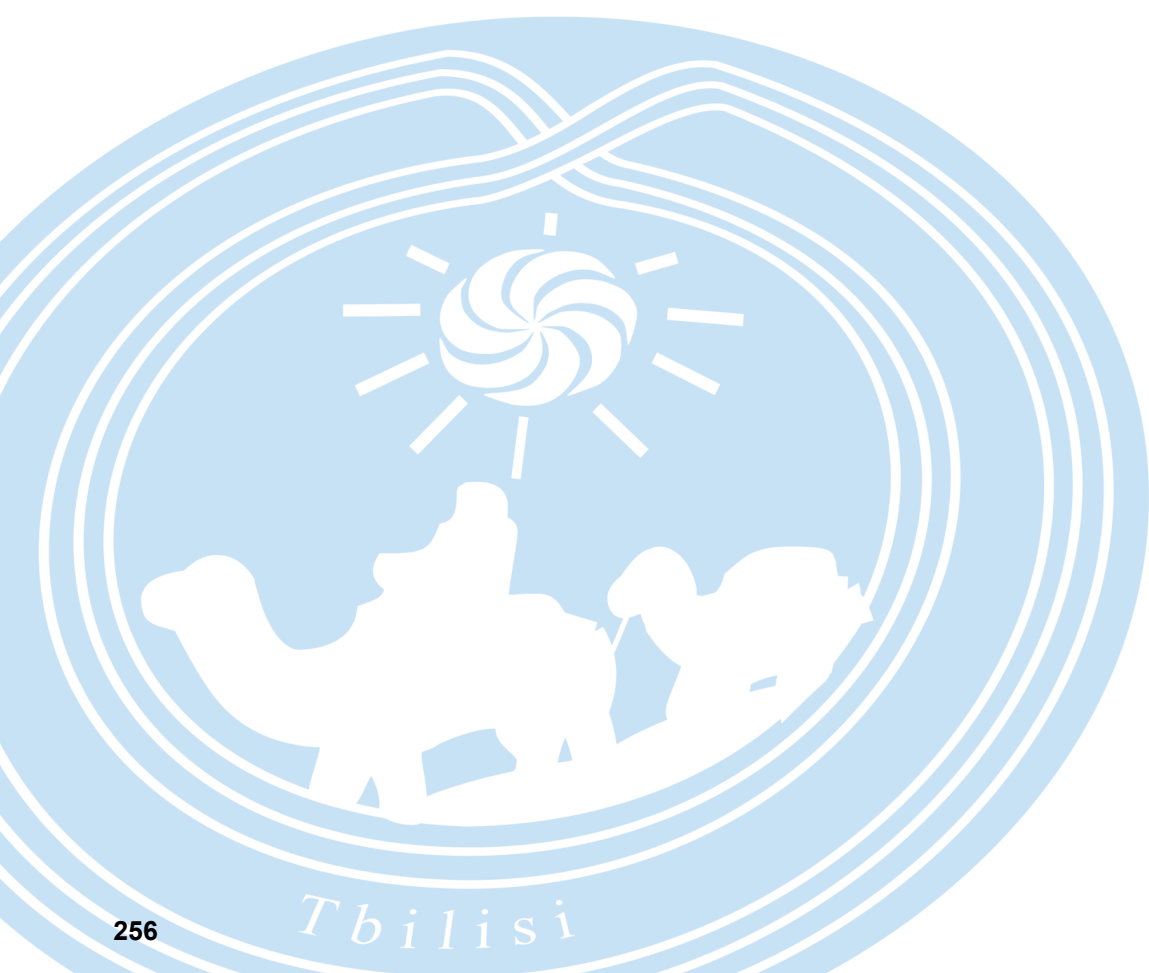
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Educaiton

Means and Ways of Teaching and Upbringing of Children with Autism

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Abstract

Typical disability of verbal and non-verbal communications, social communications, delays in the mental development, speech problems, paradoxical response to the environment irritants – everything is conditioned by the need of selective use of specific methods and strategies of inclusive education and teaching children with autism. The development of social and intellectual skills is the prerequisite for the effective participation of children with autism and their good adaptation with social environment.

Keywords: autism, inclusive education, specific methods of inclusive education

Development of Autism is a result of neurobiological disorder. Genetic factors, adverse impact of environment and brain abnormalities in different parts should be named from etiologic factors. Group of authors consider that autism is a condition rather than psychological inferiority, where children are living in a parallel world and this world is not accessible for others. Autism is not a brain disease but functional disorder. There are many theories explaining this disorder, but none of them is completely proved. Autism is related to disorders of an immune system, digestion, endocrinology system function, behaviour and sleep. Low grade chronic processes cause biological disorder in children and so-called “brain fog” is caused as a result. This “brain fog” does not allow child to communicate with outside world. Prevalence of Autism is 2-10 people in 10 000. Autism is three times more common among male children than among female children.

Autism reduces verbal and nonverbal communication, social relationship skills, and mental development. There are marked behaviour problems and problems of speech – according to the degree of damage, autistic child can only pronounce separated sounds or separated phrases, or can have well developed phrasal speech, but not uses it in communications. Mutism cases are also described in the literature. It is characterized by echolalia (repetition of words or phrases of other people) during the dialogue. These children have monotone voice and long-drawn intonation. They usually convert verbs in third person, speak about limited favourite topics and use different metaphors and stereotypical phrases.

Children with Autism prefer being alone. They do not respond to their names, avoid eye contact and do not obey rules during the communication.

Regarding the behaviour/emotion, children with Autism are characterized with disability of virtual playing, expressed interest limitation, fear of strangers. They are characterized with lack of empathy and disability to analyse attitudes and emotions of surroundings on their behaviour, strange obsessive actions, repetitive stereotypical movements and playings, long-lasting laugh, spinning and jumping in the same place, similar playings, nail biting. Hysteric and aggressive reactions are characteristic features of children with Autism. They are low resistant to environment changing. New envi-

ronment creates unpleasant feelings for them. They tend to fear (ex. Fear of light)

According to the literature sources, delayed mental development is observed in 80% of cases. Average and more than average level of intellect is typical for only 20%. Disability of solving social problems and isolated development of cognitive skills are typical for children with Autism. (4).

Timely diagnosis and rehabilitation actions are important for planning and realization of educational process (until the age of 3 years is preferable) In this case prognosis is reliable and children begin to develop and are able to get higher education.

What should parent pay attention to and when visit to the specialist is needed? When child shows no interest in other children, does not point with index finger to a subject he is interested in, child does not imitate parents' behaviour, does not respond to his name, and does not look at the pointed toy. Specialist assessment is needed if three of above mentioned features is observed.

For the elaboration of development-rehabilitation supporting strategy for children with Autism it is important to observe, to assess and analyse their behaviour and skills. It will allow properly planning and implementation of structural learning, drawing up and realization of individual learning plan.

It is known from the literary sources that for achieving higher educational results in autistic children it is necessary **to arrange structured space, visual schedule and correct and consistent selection/use of learning conditions and strategies.**

TEACH method is used for the rehabilitation of communication disability in children with autism. It includes adaptation of environment according to child requirement, elaboration of individual program, and recognition of his own world, development of skills to perceive/understand teachers, parents and children's behaviour, visual signal using (It helps children with Autism to pay attention to information), stress factors minimizing and conditions frustrating in learning environment, increasing children's independency. The main principles of TEACH method are: improvement of adapta-

tion, collaboration with parents, assessment for individual treatment, structured learning, using cognitive and behaviour therapy, training for professionals to recognize child's world. (1).

During the structured space designing process (classroom, bedroom, common room, kitchen etc.), structuring quality depends on functional abilities of a child with Autism. Classroom should be divided by zones – group working zone, independent working zone, zone for working face to face with a teacher, playing and leisure zone etc. Space needs sharp and material boundaries (It would be preferable if zones will be differed from each other by colour. Colour of the floor surface should be changed with a carpet, or coloured stripe).

For the maximizing of concentration of children with Autism, it is important to minimize attention catching factors – vivid colours, noise, unnecessary things. Due to the fact that excessed lighting causes excessive anxiety in children with Autism, it is preferable to use natural lighting except sun light. Calm place is necessary for child during independent work (at classroom or at home), where attention catching factors is not visible. In order to reduce acoustic signals, arrangement of a room with carpets is recommended.

Disability of switching from one type of action to another causes anxiety and inadequate behaviour in children. (9) Visual schedule is necessary to manage their action and decrease their anxiety (Images with captions or photo sequence). It points them to do what is expected from them. Photo sequence should be arranged top-down or from right to left. During the arrangement of daily schedule it is important to take into consideration individual interest and arrange actions from less interesting to more interesting. Visual schedule is used in every room where autistic child spends most of the time. Using visual schedule develops independence in children with Autism.

Communication Systems Changing Pictured program is successfully used with autistic children during the learning processes. According to the literature sources in order to reach best results in learning with **Communication Systems Changing Pictured program**, it is necessary to follow the following order: before lesson starts a teacher shows visual schedule to a student and explains what tasks should be performed during the lesson. Then she gives materials of the first task which are shown on the picture. After managing this task teacher helps student in identification of this picture and continues explaining the next picture etc. (3).

It should be taken into account that due to the fact that children with Autism cannot differentiate essential and non-essential details in task it is necessary to highlight important information or the main idea with colour, pictures, numbers and letters. Visual materials should be chosen carefully and picture should be replaced with tangible objects (for example paper of corresponding colour is used for memorizing one colour, which is later replaced with a piece of polyethylene, cubes, toys and surrounding objects) (5) The quality of learning increases if lot of learning materials is not used. Student realizes amount of assignment which should be done in concrete period of time. Reward and encouragement are used for increase motivation after managing the task. Reward through giving stickers, stars etc. as a gift is used to increase motivation. It is also important rewarding through listening to the music or through allowing child to do something interesting for him during the break. For the prevention of dependence on rewarding it is necessary to reduce it gradually (8).

Usage of tips strategies (dictation) with autistic children

accelerates the development of skills and allows inclusion in secondary schools. Visual tips (pictures, symbols, drawing); verbal tips (pointing them what to do in concrete situation. Often, using of visual and verbal tips simultaneously becomes necessary to understand others speech); Modeling – demonstration of necessary actions, which are replicated by children if necessary; Vibrating tips (during the joint playing it allows child to join other children) (11). For the prevention of the dependence on tips, it is necessary to decrease them gradually and to end using them for a while.

Priming's strategy is recommended by a group of authors for the successfully involvement of children with autism in learning processes at secondary schools. Priming allows child to get used to academic skills in advance. For example: learning of writing, reading or other skills for autistic children during individual classes starts much earlier than for other children. Development of skills in advance allows child to avoid stress caused by difficulties related to learning of new materials. (9).

This strategy develops necessary skills in advance which are important in relation with classmates during the completion of a new program. For example: when student should take a part in discussion of stories or role-playing game according to school program, autistic child can read it before and can take a part in playing many times. At the same time teacher foresees every question that is expected to be arisen during the group work and practises child with autism how to answer on them. As a result, child in real situation can be involved in group work without interruption and manage his behaviour better. (9). with a help of Priming it is also possible modelling of expected, new social situations. Frequent participation in these situations develops different social skills and behaviour in child.

Key Skills Teaching (self management, self initiation etc) and Natural Teaching are strategies, which are based on internal motivation and joint selection of tasks, rewarding and modelling tips for children with autism. Development of key skills is implemented in natural environment, with natural motivation and natural strengthening of stimulus.

Social stories are used for the recognition of others emotions and for the development of adequate responsive actions. For the first time there are created written "social stories" with corresponding pictures. These stories should express expected, real situations and should properly describe expected action by a person. After, these stories should be read jointly and understanding should be checked. (Child should have ability to answer on every question) Last stage is a simulated situation. At this time teacher makes assessment how a child can behave in the similar, spontaneous situation. (7).

It is important to arrange environment with children with no disabilities, which often act as assistants. Result of learning is increased by cooperation learning. Such kind of learning helps autistic children in socialization process. Children with Autism have disabled self managing skills of behaviour, in which self-managing strategies are used for the development of behaviour. Above mentioned strategies help child to realize acceptable action and control his self. Stages of behavioural self-managing strategies are the following: 1. Determination of target behaviour by positive manner; 2. Determination of observation frequency on behaviour; 3. Determination of rewards, which will increase motivation in students and which are acceptable at schools. 4. Preparation of tables and notes; 5. Carrying out practice in advance before student will use self managing procedures in school. (He will master them during the individual work with a teacher) 6. Using strategies in natural inclusive environment and progress monitoring. 7. Conducting the progress

analyses in self control program – achieved goals should be checked and based on achieved results new strategies should be determined. 8. Encouragement/rewarding; 9. Involvement of parents in process of correction of behaviour. Parents should be conducted with tables which will indicate behaviour of a child during the day. Attention should be paid to the targeted behaviour in the family environment too; 10. Decreasing and ending the usage of self-control strategies just after reaching the targeted behaviour. (12).

Conclusion:

Verbal and nonverbal communication, So-cial relations disability, mental development delays, speech problems, paradoxical response to environmental irritants as a characteristics of children with autism, determine the necessity of specific methods and selective usage of strategies in inclusive teaching and learning processes of children with autism. Development of social skills with intellectual skills is a prerequisite for involvement and adaptation of children with autism in social environment.

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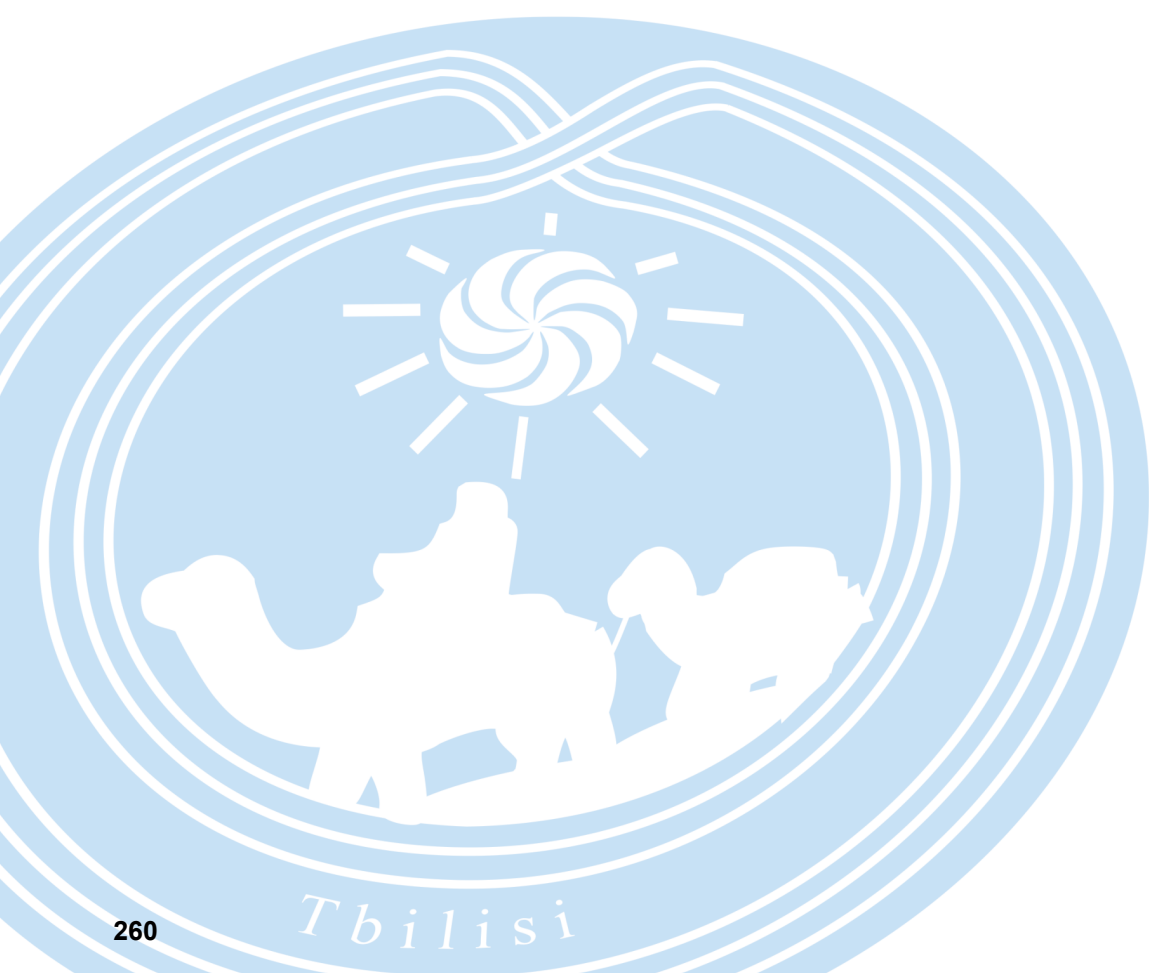
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Effects Of Leadership On Student Success Through The Balanced Leadership Framework

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Abstract

Attempts have been made to identify behavior patterns peculiar to leadership by many institutions and organizations; also numerous studies have been conducted in this area. Of all these organizations, The Interstate School Leaders Licensure Consortium (ISLLC) identifies the definitive standards of school leadership. Examining these standards in detail, Mid-continent Research for Education and Learning (McREL) develops new behavior patterns and focuses on student success related to school leadership; accordingly, in 1998 the Balanced Leadership Framework was suggested as a new leadership approach. In accordance with this framework, to know what to do is not generally considered sufficient to transform classes and schools. It is also significantly important for leaders to know why some actions are necessary, when they need to be applied, and how to apply them in classes and schools skillfully. Hence, the Balanced Leadership Framework has been developed to specify school leaders' own leadership behaviors and to benefit from the research aiming to be effective school leaders. Thereby, McREL, after the meta-analysis, identifies 21 leadership responsibilities. In this study, after reviewing the literature, a qualitative analysis related to the 8 leadership responsibilities (Culture, Ideals and Beliefs, Communication, Visibility, Input, Relationships, Situational Awareness, Affirmation) which are necessary to form the Purposeful Community has been made. 15 teachers are asked how leadership responsibilities affect student success and the results are discussed in this study. As a result, the effects of these 8 leadership responsibilities on student success have been clarified explicitly.

Keywords: Balanced Leadership, Leadership responsibilities, Student success, Purposeful Community

Introduction

Scholars doing research on management frequently focus on the area of leadership. There have been more than 3000 studies based on experiments (Celik, 2007). The scope of these studies indicates the significance of the concept "leadership" (Aydin, 2005). Thanks to the studies applied so far, new styles of leadership have been put forward; moreover, different approaches to leadership have been constituted.

Educators and policy makers have launched many helpful initiatives to redefine the role of formal school leaders; moreover, numerous studies have conducted in this field. In 1996, The Interstate School Leaders Licensure Consortium (ISLLC), one of the most important organizations, established common standards for school leaders (ISLLC, 1996). After analyzing all the standards indicated by ISLLC, Mid-continent Research for Education and Learning (McREL) focused on student success developed new behavioral patterns for school leaders and came up with a new leadership approach in 1998 (Waters & Grubb, 2004): Balanced Leadership.

1.1. Balanced Leadership Framework

Today's school leaders are faced with multiple calls for change, improvement, and reform. These calls take many forms based on the value preferences of the organization, think tank, or legislator (Schoen & Fusarelli, 2008). The belief that leadership and management are important permeates the literature of school effectiveness, especially with

relation to schools in special measures, where new leaders are expected to transform the prospects of previously doomed staff and students (Barker, 2001). Therefore, this belief makes the concept of "school leadership" a much more complicated process. Due to this complexity, the need for balancing the values both inside and outside the organization with student success in direct proportion comes up explicitly while school leaders are managing the educational system in schools.

Nearly 30 years ago, the pioneers of "effective schools" research found out that certain school, classroom, and leadership practices are critically important to student success and school productivity. Researchers correlated effective schools with high expectations for student learning, monitoring of student progress, a safe climate, an emphasis on basic skill acquisition, and strong instructional leadership (Waters, Marzano, & McNulty, 2008).

More than three decades of research on the effects of instruction and schooling on student achievement are creating a new science of education. In 1998, McREL (Mid-continent Research for Education and Learning) began synthesizing this growing body of research through meta-analyses of research on student characteristics and teacher and school practices associated with school effectiveness, which results in a new leadership framework (Waters, Marzano, McNulty, 2003). Within this framework on the literature of leadership, it is clearly aimed to move beyond abstraction to concrete responsibilities, practices, knowledge and strategies that school leaders need to be effective. After all

the studies on “effective schools” conducted by McREL and meta-analyses, what can be applied in schools in order to enhance student success is put forward through the balanced leadership framework (Waters, Cameron, 2007).

According to McREL, effective leadership means more than simply knowing what to do as well as it is knowing when, how, and why to do it (Waters, Marzano, McNulty, 2003). Hence, with the help of the balanced leadership framework, it will guide school leaders how to put vision stated by organizations into action. Conducting three major quantitative studies aiming to measure the effect of leadership on student success, McREL examined more than 5000 studies and made a meta-analysis which has the following results (Waters, Cameron, 2007):

1. No longer is there a question about the effect of leadership on student achievement. Clearly, leadership makes a difference.
2. 21 leadership responsibilities were identified with statistically significant correlations to student achievement and 66 practices or behaviors for fulfilling these responsibilities.
3. The differential impact of leadership emerged as a new phenomenon.

McREL developed the Balanced Leadership Framework so as to make these 21 leadership responsibilities and 66 practices more practical and explained the process below (Waters, Cameron, 2007):

“We also wanted to connect our research findings to existing research-based knowledge on change management, diffusion theory, collective efficacy, institutional theory, living systems theory, community development, asset utilization, and school improvement. The result of this effort is the Balanced Leadership Framework (see Exhibit 1), which groups the 21 responsibilities into an organizing structure: leadership, focus, magnitude of change, and purposeful community.”

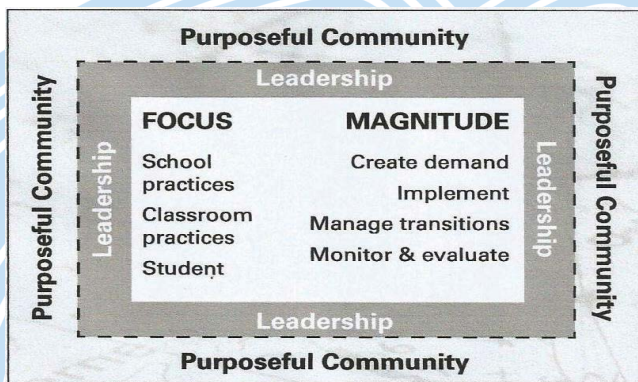


Exhibit 1: McREL's Balanced Leadership Framework

Leadership is unquestionably determined as the foundation component in the framework because it is the indicative as well as influential factor for forming both purposeful community and effective school-classroom practices. In the basis of this study, only the component “purposeful community” is explained in terms of leadership responsibilities and a qualitative data collection design is applied to a group of teachers.

1.1.2. Purposeful Community

After reviewing hundreds of studies on school improvement, it has been concluded that virtually everything in a school occurs within the context of a community, composed of students, parents, teachers and other school staff members, central office administrators and support personnel, the school board, other social agencies, and businesses. The more this diverse community is able to coalesce around shared purposes, the more sustainable and effective a school’s change efforts will be. One of the key components of the Balanced Leadership framework, “Purposeful Community” is defined as one with the collective efficacy and capability to use all available assets to accomplish purposes and produce outcomes that matter to all community members through agreed-upon processes (see Exhibit 2) (Waters & Cameron, 2007).

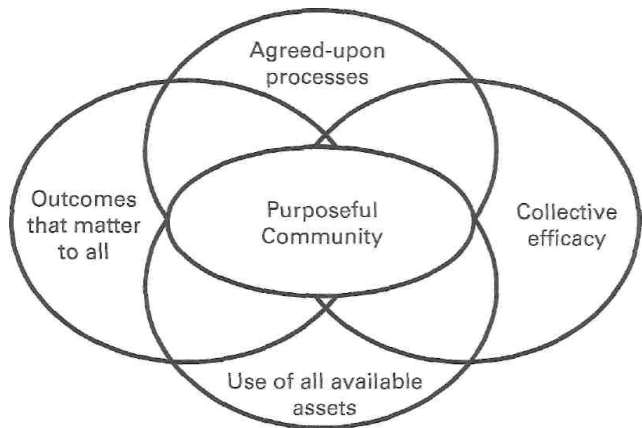


Exhibit 2: McREL's Definition of Purposeful Community

Therefore, school leaders must reorganize the system around agreed-upon processes and outcomes that focus improvement efforts and inform ongoing improvement. In contrast, given the frequency of changes, schools have had very little success with sustained improvement efforts. Though schools do engage in change, they typically do not enjoy long-term success. Much of this change-without-improvement paradigm can be attributed to a lack of capacity to first create and then work within a purposeful community to accomplish agreed-upon outcomes (see Exhibit 2) (Bailey, Cameron, Cortez-Ford, 2004).

In conclusion, purposeful community is the result of leadership growing in that community. Having developed 21 leadership responsibilities in correlation with student success, McREL suggested that 8 of these responsibilities need to be emphasized in order to create a purposeful community in schools. In Exhibit 3, McREL identified specific and measurable indicators explaining these 8 responsibilities (Waters & Cameron, 2007).

Communities created by political or policy decisions always start as accidental. The nature of how they are created or designated makes them accidental. Members of these communities do not have a common understanding of what they can only accomplish because they are a community. They do not have agreed-upon ways of working together. They do not share knowledge of their tangible and intangible assets. They have not developed collective efficacy. They can, however, be developed in-to “Purposeful Communities” through strong and effective leadership. For this to happen, principals must understand the value and attributes of Purposeful Community, and emphasize leadership responsibilities in ways that contribute to this development. Without Purposeful Community, it is difficult to imagine schools suc-

Leadership responsibilities	Characteristics of purposeful communities
<p>Culture: fosters shared beliefs and a sense of community and cooperation</p> <p>Ideals and beliefs: communicates and operates from strong ideals and beliefs about schooling</p>	<p>There is consensus on reasons for working together - general agreement exists on why the community exists, what can only be accomplished because the members of the community are together as a community, and that they can accomplish what is important to them. The principal promotes cooperation, a sense of well-being, and cohesion among the staff. There is a shared understanding of purpose and a vision of what the school could be like. The principal holds and shares strong beliefs about teaching, learning, and the capability of the community to accomplish specific outcomes. The principal demonstrates behaviors that are consistent with his or her espoused beliefs.</p>
<p>Communication: establishes strong lines of communication with teachers and among students</p> <p>Visibility: has quality contact and interactions with teachers and students</p>	<p>There are critical connections among key members of the community ó the principal is easily accessible to teachers, other staff, students, and community members. The principal uses systematic and frequent visits to classrooms, within the school, and in the community, to reinforce the importance of learning and the community's capability of accomplishing outcomes that matter.</p>
<p>Relationships: demonstrates an awareness of the personal aspects of teachers and staff</p> <p>Situational awareness: is aware of the details and undercurrents in the running of the school and uses this information to address current and potential problems</p>	<p>Consensus is developed on ways of working together. The "ways of working" reflect the "agreed-upon processes" that characterize purposeful communities. These agreements are a product of the human and personal connections created by remaining aware of personal needs, staying informed about significant issues in the lives of community members, and acknowledging significant events in the lives of community members. These connections allow the principal to stay informed about relationships among groups and issues that might not surface on their own. These connections contribute to the ability of the principal to predict what could go wrong from day to day.</p>
<p>Affirmation: recognizes and celebrates school accomplishments and acknowledges failures.</p>	<p>Attention is given to building on strengths in addition to addressing weaknesses ó most communities focus on weaknesses or needs. Productive communities (and organizations) balance their attention on needs or weaknesses with a focus on community strengths and the importance of playing to them. These strengths are among the community's most important assets. The principal systematically and fairly recognizes and celebrates accomplishments of teachers, staff, and students. The principal is also willing to acknowledge failures along with successes. Failures are viewed as learning opportunities. The principal reinforces and builds on the individual strengths of all community members.</p>

Exhibit 3: Leadership responsibilities to create purposeful community

cessfully implementing and sustaining the changes necessary to prepare all of their students to live and work in an increasingly competitive, fast-paced global economy. Within a Purposeful Community, it is difficult to imagine anything else (Waters & Cameron, 2007).

These responsibilities are basic components of creating a purposeful community in schools. Hence, the purpose of this study is to analyze qualitatively the effect of school leaders' leadership responsibilities required to develop purposeful communities in schools on student success with the help of teachers' perceptions.

II. Methodology

In this part, research design, study group, data collection tool, data collection, and data analysis of this study will be explained in detail.

II.1. Research Design

The research design of this study is specified as qualitative data collection gathered in order to find out teachers' perception of school leaders' leadership responsibilities considered necessary for developing the purposeful community.

II.2. Study Group

The study group of this study has been selected from private and state, primary and secondary school teachers from different fields of study in the 2013-2014 Academic Year. Purposeful conventional sampling is used to specify the participants.

II.3. Data Collection Tool

In this study, a questionnaire form including 6 open-ended questions is used to collect teachers' opinions about leadership responsibilities for developing purposeful community in their own schools. These questions are prepared to determine McREL's 8 leadership responsibilities: Culture, Ideals and Beliefs, Communication, Visibility, Input, Relationships, Situational Awareness, Affirmation. There are 6 questions in the questionnaire because the responsibilities of Communication & Visibility and Relationships & Situational Awareness are put together as in the original version (see Exhibit 3).

II.4. Data Collection

With the questionnaire put into its final form, it is applied to 15 teachers at the proper place and time specified before.

II.5. Data Analysis

So as to analyze the data obtained from the teachers, content analysis is used. The answers to the questions are analyzed by the researchers. Each participant is given a representative code (1-15). During the content analysis, themes specified before according to leadership responsibilities for purposeful community and codes are used in an interpretive way. Details about themes, codes, frequency and number of participants are discussed in the finding and comments section below.

III. Findings and Comments

Analyzing all the data gathered from the teachers is the theme of this qualitative study. The data, as previously stated, relates to culture, ideals and beliefs, communication

Themes	Codes	F	N
Culture	Differences	4	3
	Consensus	4	4
	Teacher	3	3
	Abstract Concepts	4	4
Ideals and Beliefs	Sharing ideas	4	4
	Lack of participation	6	6
Communication and Visibility	Favorable communication	4	4
	Unfavorable communication	7	6
Input	Cooperation	11	11
	Autocracy	3	3
Relationships and Situational Awareness	Awareness	10	10
	Lack of awareness	2	2
Affirmation	Positive affirmation	2	2
	Negative affirmation	4	4
	Both positive and negative affirmation	6	6

Exhibit 4: Distribution of themes and codes

and visibility, input, relationships and situational awareness, affirmation. The codes obtained from content analysis are demonstrated in Exhibit 4 with the themes, frequency (F) and number of participants (N).

III.1. Culture

Under the theme “culture”, four different codes that are differences, consensus, teacher, abstract concepts are examined from the answers of the teachers.

III.1.1. Differences

There are 3 participants expressing their opinions 4 times under this code. One of the participants’ views of “differences” is given below:

“In the school I work for, there are great differences between the school administration and the teachers, as well as among the teachers in terms of general educational policy, vision, curriculum, and materials required to be used in classes” (2)

III.1.2. Consensus

There are 4 teachers expressing their opinions 4 times under this code. One outstanding view is presented below:

“As for educational policy, in my school, there is a great consensus between the school administration and the teachers. That is to say, you can easily observe the positive effects of consensus developed in the school on student success.” (14)

III.1.3. Teacher

There are 3 teachers sharing their ideas 3 times under this code. One of the teachers explained his/her view of “teacher” as follows:

“In my school, there is no consensus among the teachers and the principal, which causes an adverse effect on student achievement. That’s why, the selection of teacher gains importance as the experienced teacher is believed to manage instructional process much better rather than the school administration” (1)

III.1.3. Abstract Concepts

There are 4 participants expressing their opinions 4 times under this code. One prominent view is given below:

“The general atmosphere of my school is positively reflected to the level of student motivation and trust” (12)

III.2. Ideals and Beliefs

Under the theme “ideals and beliefs”, two different codes, which are “sharing ideas” and “lack of participation” are detected from the answers of the teachers.

III.2.1. Sharing Ideas

There are 4 teachers expressing their opinions 4 times under this code. One outstanding view is:

“The teachers of my school can easily and willingly share their opinions with the school administration. There are discussions about how we can achieve more success and what we can do more to do our best.” (4)

III.2.2. Lack of participation

There are 6 teachers sharing their ideas 6 times under this code. One of the teachers explained his/her view of “lack of participation” as:

“I cannot talk about participation of the teachers in the decision making process. There is nothing discussed and planned about the future of my school.” (6)

III.3. Communication and Visibility

Under the theme “communication and visibility”, two different codes that are favorable communication and unfavorable communication are specified from the answers of the teachers.

3.3.1. Favorable communication

There are 4 teachers expressing their opinions 4 times under this code. One outstanding view is presented below:

“The style of communication in my school is quite valuable and constructive, which affects student success directly in positive way.” (7)

3.3.2. Unfavorable communication

There are 6 teachers expressing their opinions 7 times under this code. One of the teachers expresses his/her view below:

“In my school, the principal has a disconnected communication style. There are conflicts between the school administration and the teachers, which lead students to lose motivation to study harder; therefore, the success level of students remains unchanged.” (9)

III.4. Input

Under the theme “input”, two different codes that are cooperation and autocracy are found out from the answers of the teachers.

III.4.1. Cooperation

There are 11 teachers sharing their ideas 11 times under this code. One of the teachers explained his/her view of “cooperation” like that:

“In my school, there is a high level of cooperation

that makes our opinions much more important for the school. Interactive communication helps students increase their success.” (15)

III.4.2. Autocracy

There are 3 teachers sharing their ideas 3 times under this code. One of the teachers expressed his/her ideas below:

“Our principal makes important decisions in an autocratic way. Even if he asks for the teachers’ opinions, he makes the final decision. This approach causes students not to improve themselves.” (9)

III.5. Relationships and Situational Awareness

Under the theme “relationships and situational awareness”, two different codes, which are awareness and lack of awareness, are investigated through the answers of the teachers.

III.5.1. Awareness

There are 10 teachers expressing their opinions 10 times under this code. One outstanding view is presented below:

“In my school, teachers are very often encouraged to attend meetings, workshops, and in-school activities; moreover, in order to increase awareness, there are announcements and reminders made for the teachers.” (14)

III.5.2. Lack of awareness

There are 2 teachers expressing their opinions 2 times under this code. One of the teachers expresses his/her view below:

“Our principal has no effort to increase the level of teacher awareness. Also, he has no attempt to improve teachers’ teachings skills but for the compulsory workshops arranged by the Ministry of Education two times of an academic year.” (3)

III.6. Affirmatio

Under the theme “relationships and situational awareness”, three different codes, which are positive affirmation, negative affirmation, and both positive and negative affirmation, can be seen from the answers of the teachers.

III.6.1. Positive affirmation

There are 2 teachers expressing their opinions 2 times under this code. One of the participants’ views of “positive affirmation” is given below

“In my school, our principal uses different styles of awarding to positive affirmation.” (1)

III.6.2. Negative affirmatio

There are 4 teachers expressing their opinions 4 times under this code. One of the teachers expresses his/her view below:

“If there is a negative situation occurred in the school, the principal will look for the ‘guilty’ and directly reflect it to the teachers.” (8)

III.6.3. Both positive and negative affirmatio

There are 6 teachers expressing their opinions 6 times under this code. One outstanding view is presented below:

“Our principal is aware of both positive and negative affirmation. For the positive events, he uses awarding system in the school. Also for negative situations, he is very constructive and tries to manage negativities in an encouraging way” (1)

Conclusion, Discussion And Suggestions

For decades, educators have realized that school leaders are all responsible for student learning as well as student success. Therefore, the concept of leadership directly related to community gains utmost importance (Lambert, 2002). The principal should be characterized to take ultimate responsibility for success or failure of the organization (Lashway, 2002). Taking responsibility, principals need to create a purposeful community in order to achieve success in their schools.

Purposeful Community is one of the three components associated with McREL’s Balanced Leadership Framework and acting as the primary mediator for change. A purposeful community goes beyond traditional modes of thinking about school improvement; its inclusion in McREL’s framework suggests that understanding the role of community and common purpose is critical for sustainable school improvement. School leaders must reorganize the system around agreed-upon processes and outcomes that focus improvement efforts and inform ongoing improvement. In contrast, given the frequency of changes, schools have had very little success with sustained improvement efforts (Bailey, Cameron, Cortez-Ford, 2004). The 8 leadership responsibilities- Culture, Ideals and Beliefs, Communication, Visibility, Input, Relationships, Situational Awareness, Affirmation - specified in McREL’s framework can be defined as the key factors for creating a purposeful community in schools.

In McREL’s framework, culture, as a characteristic of a purposeful community, is related to the extent to which the principal fosters beliefs and a sense of community and cooperation. There is consensus on reasons for working together (Bailey, Cameron, Cortez-Ford, 2004). A general agreement exists on why the community comes together and what they can accomplish as a group together (Waters & Cameron, 2007). In this study, under the theme “culture”, the code “consensus” has been identified (4/15); as a result, all the codes based on the theme “culture” demonstrate the effect of culture on student success.

Another leadership responsibility, ideals and beliefs, is concerned about the extent to which the principal communicates and operates from strong ideals and beliefs about schooling (Bailey, Cameron, Cortez-Ford, 2004). There is a shared understanding of purpose and a vision of what the school could be. The principal holds and shares strong beliefs about teaching, learning, and the capability of the community to accomplish specific outcomes (Waters & Cameron, 2007). This study has revealed two important codes under the theme “ideals and beliefs”. The code “sharing ideas”, especially, has indicated the significance of beliefs in a community (4/15) because the code “lack of participation” has clearly shown a negative effect of leadership on student success (6/15).

As for communication and visibility, they are considered together as originally classified like this in the McREL's framework. Communication is about the extent to which the principal establishes strong lines of communication with teachers, staff and among students. Moreover, visibility is connected with the extent to which the principal has quality contact and interactions with teachers, staff and students (Bailey, Cameron, Cortez-Ford, 2004). There are critical connections among key members of the community. The principal is easily accessible to teachers, other staff, students, and community members (Waters & Cameron, 2007). In this study, the theme "communication and visibility" has resulted in two opposite codes: "favorable (4/15) and unfavorable communication (6/15)". From these codes, it is concluded that the more effective communication there is, the more successful students there are.

The other leadership responsibility, input, is related to the extent to which the principal involves teachers and staff in the design and implementation of important decisions and policies. Leadership is a shared responsibility and is widely distributed throughout the community (Bailey, Cameron, Cortez-Ford, 2004). In this research, under this theme, the study has identified two significant codes: "cooperation" (11/15) and "autocracy" (3/15) which can be evaluated as significant findings of the study. As a result of these codes, it is understood that student success will definitely increase if the principal asks for teachers' opinions and communicates indeed with them interactively.

Relationships and situational awareness, another leadership responsibility, are combined together as in the original framework. Relationships can explain the extent to which the principal demonstrates an awareness of the personal aspects of working with teachers and staff. Situational awareness is concerned with the extent to which the principal is aware of the details and undercurrents in the running of the school and uses this information to address problems. (Bailey, Cameron, Cortez-Ford, 2004). Leadership is widely shared throughout the community. Rather than being seen as a position and defined only through positional authority, leadership becomes everyone's responsibility and all community members have opportunities to lead (Waters & Cameron, 2007). In this study, under the theme "relationships and situational awareness", the codes "awareness" (10/15) and "lack of awareness" (2/15) have revealed the fact that student success is accomplished much more easily as teachers' level of awareness increases comparatively.

Affirmation, as the last characteristic of a purposeful community, is about the extent to which the principal recognizes and celebrates school accomplishments and acknowledges failures. Attention is given to building on strengths in addition to addressing weaknesses (Bailey, Cameron, Cortez-Ford, 2004). Productive communities and organizations balance their attention to needs or weaknesses with a focus on community strengths and the importance of playing to them. These strengths are among the community's most important assets (Waters & Cameron, 2007). In this research, from this point of view, affirmation has been specified as a significant theme with the help of these three codes: "positive affirmation" (2/15), "negative affirmation" (4/15), and "both positive and negative affirmation" (6/15). In this research, it is clearly concluded that student success will be achieved at a high level if the effective school leader, in terms of purposeful community, celebrates school accomplishments and acknowledges failures.

In conclusion, within McREL' Balanced Leadership Framework, purposeful community can be recognized as one of the most important components. School leaders need to create a purposeful community in their schools if they want to achieve student success indeed. The study shows that the suggestions below would allow leaders to develop purposeful

community:

- Principals should create such an atmosphere encouraging cooperation and sharing beliefs within the sense of community.
- Strong ideals and beliefs should be set in the vision of the organization with the help of interactive communication.
- Being visible in the school, principals should be easily communicated with by teachers and the other staff.
- During the decision-making process, all the components of the organization should be taken into consideration and full participation of teachers should be encouraged so that they can feel their opinions are valued.
- A consensus based on sincerity should be developed in schools; thus, principals should have knowledge of the teachers and staff which goes beyond merely their professional qualifications
- Situational awareness should be raised in terms of the details and undercurrents in the running of the school, so as to prevent potential problems in advance.
- Building on strengths and addressing weaknesses should be focused on in the community, and also recognition of school accomplishments and failures should be provided fairly.

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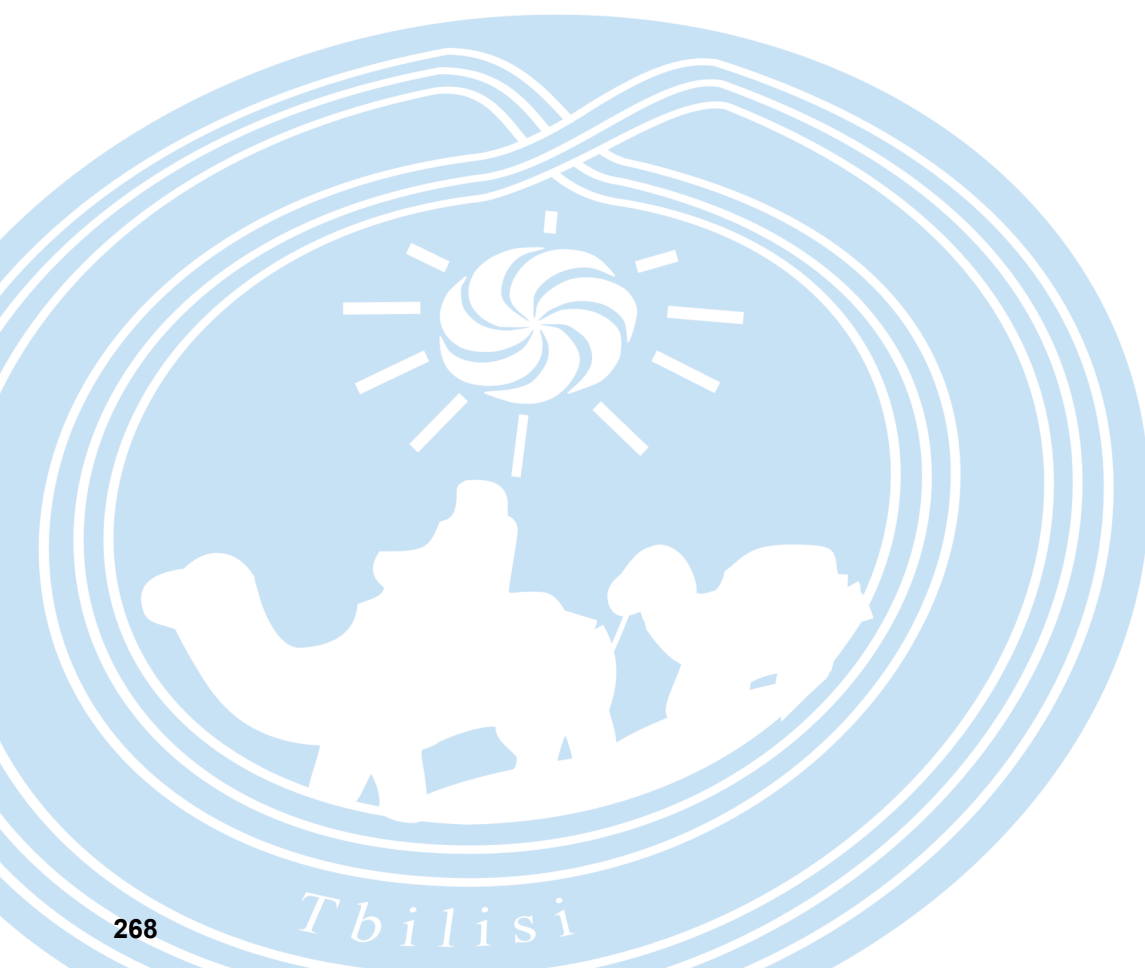
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Organizing Group Work - Assessment Features

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Abstract

Group work is actively used in teaching at each level. The studies have shown, that children as well as students are interested in getting involved in the process of group working, hence the learning is much easier for them, rather than individually. Special skills are required to manage a team. How to use group work in the auditorium, what kind of problems we might encounter using of group working, how much the desired direction of group work depends on students' number in the audience, what function should the lecturer perform during the group work process and, the most important, how to make the evaluation of students' knowledge and skills – the present work concerns the discussion these and other problematic issues related to group work.

Keywords: group work, assessment, team leading, team features

Group work is actively used in teaching process at all levels. Studies show that pupils as well as students are involved in the group work with interest and therefore they learn easier, rather than individually.

Management of the group work requires special skills. The present work studies how to use group work in the class, what problems we might face when using the group work, how much the group work depends on the quantity of students, what is the function of the lecturer in the group work and what is the most important, how to assess students' knowledge and skills.

However, it should be noted that the group work needs experience. Perhaps the person is able to explain the problem more effectively, but he/she has difficulties working in the group. Group work needs special skills. This is listening, following the instruction, feedback, cooperation, sharing the opinion and so on (3-92). Besides, the administration of the group work needs special skills. Several factors related to the planning of the group work should be taken into account. That is, which are the courses more appropriate to the group work, how to use the group work in the auditorium and what problems can arise while using this method.

Group work in spite its advantages is usually used carefully in our reality. The part of professors who theoretically like this model of teaching do not apply it in practice. There can be different reasons of it: some of the lecturers think that while using group work they cannot control each student, listen to the opinion of each group, record the mistakes made by them, help and evaluate them. Professors try to avoid the noise that usually accompany group work. That's why this method is likely less to be used in the class.

Despite the difficult, the use of group work is important in the teaching process because it helps students master such important skills as are: listening to each other, sharing each other's opinions, forming the logical questions and ideas, asking for help and explanation, finding the essential of the problem, making the conclusion, self-assessment, assessment of each-other and so on.

To divide the students into groups is not as simple as it may seem at first. There are several aspects to be considered. The size of the group mainly depends on the goal and achievement of results. Students can be grouped in pairs, triads, small (4-5 people) and large (6 or more people) groups.

Working in pairs is particularly effective for students who find it difficult to solve problems independently and in cooperation with peers they try to solve them. While working in pairs students make decisions more easily and find the best ways out. In group work the successful students can help the students left behind. In group work the lecturer has to avoid the domination of one student on another.

Triad - the group of three students should be used at the point when discussing students are not able to come to an agreement. In this case the opinion of the third student can be crucial. But there are many cases when the opinion of the majority surpasses more logical and correct opinion of one student.

Small group - the most common form of group work to fulfill any kind of work. It consists of 4-5 students. The domination of one student is relatively rare in a small group. Because of the size of the group, several opinions are present-

ed and compared. However, it must be taken into account the bigger group the more difficult to plan work, to organize and define the roles. For this reason the bigger groups (6-10 people) are more hardly used. The risk is bigger to leave the passive student without function. At the same time it is always argued how many groups must be in the class, two or three.

Before beginning the work it must be defined how to create groups. There can be different principles. If the groups will be formed according to the students' initiative, the determining factor will be friendship. The positive part of this is that the students are happy to work with chosen partners. They realize that they take on initiative and responsibility. On the other hand while students search for their partners there can be a lot of chaos or there can be the emotional threat for less popular students, because few students will be ready to work with them.

The level of knowledge is an important factor taken into account to create groups. Sometimes it is desirable to create a mixed-level group because the students of high academic level can assist the students relatively of low academic achievement and in the process they better realize the given problem. In such case it is desirable to form the group from the students of high, average and low academic levels. In this way a sharp distinction among the students is avoided. Otherwise it will be cause of unequal distribution of opportunities among them.

In case of different tasks it is desirable to group the students relatively of the same preparedness and give them the work of proper complexity.

This approach allows the lecturer to work with groups taking into account their individual abilities. But forming the groups according to the levels is not always appropriate because the main advantage of group work to master the skill of cooperation with people of different abilities and preparedness is lost.

The criteria of activity can be used when it is known who tries to work or escape the initiative in the group. In this case less active students can be included in one group in order to avoid their inactivity. This form of grouping is also useful for too active students who will have to listen to other's opinions and not dominate them.

Random grouping means to form the groups without taking into account all the above-mentioned criteria. In many cases it is appropriate to group the students sitting together. In this way the lecturer saves the time, avoids the noise and chaos, which always accompany the movement of the students in the class. The easiest way of random grouping is to calculate. Do not be afraid if at first there is noise and unexpected events. Students get used to this model of grouping very soon and next time the process goes faster and easily.

Group work can be divided into 3 phases: the preparatory phase, the phase of group working and final phase of work.

In the preparatory phase, the teacher chooses the issue, elaborates the plan, prepares the necessary material and gives the instructions and expected results to the group.

In the second phase the group works on the concrete issue and discusses the problem. At this time the teacher is more passive and just supervises. The members of the group keep up the rules in group work. The time must be enough to do the work. Excessive time makes the students bored whereas lack of time dissatisfies them.

In the third phase the students learn the results, analyze

advantages and disadvantages of group work, and evaluate the achieved results and the process in it. There are different ways to learn the results: by question and answer format, presentations. In the last phase the group gets the feedback from the students and a teacher. It is desirable to do last one in a positive way.

While using group work it is important to take into account the attitude of students to it. The expectation is that at first students usually do not meet a form of group work with delight. They are frightened of the responsibility which usually accompanies group work. Besides, there is a great possibility of appearing of non-official leader who will try to control the work of the whole group that may irritate the others. On the other hand there could be the students who prefer not to overload themselves and let other students do all work. For the part of students group work is such a new form of teaching that they consider as a game rather than "real teaching". For them it is just the waste of time.

To avoid this incomprehensibility it is desirable to explain the meaning and function of group work to students. For instance to make them do some work in pairs (or 3-4) and then formulate a questionnaire for them to get to know their opinions regarding group work. The given results should be taken into account for future work.

The same view is expressed in a book published by a group of authors "Interactive Methods of Teaching and Learning, Forms of Activity, the Criteria of Assessment, Pedagogical Technologies and their General Description". According to the authors group work is one of the effective methods, but it has its negative sides too:

1. It is less supportive to independent learning;
2. It could lead to a dependence on the leader of the group;
3. It makes difficult to assess each student
4. Some students may find it difficult to integrate into the group (2, 107).

Preferably, lecturers and students should agree beforehand regarding the rules of group work. In particular:

- How to ask a lecturer for help;
- What time is provided to perform the task?
- What is the duty of each member of the group?
- What is the acceptable noise level?
- How to present the result of group work and indicate the completion?

Arrangement of resources, creation of pre-conditions, planning, and preparation of enough tasks have great importance. All of them help a lecturer to conduct group work properly.

One of the hardest and problematic side of group work is its assessment activities. After the work a lecturer needs to evaluate the whole process, as well as the work done by each group and each member of the group, which is related to many obstacles and difficulties. In many cases, in order to simplify the process and save the time, professor evaluates the knowledge of the whole group. The last, of course, violates reliability of evaluation and principles related to the validity. Despite numerous points of view on assessment in group work there are not any exact recommendations on

this problem. So, during assessment lecturers usually behave according to their experience. As we think because of the topicality of the question it can be subject of separate discussion.

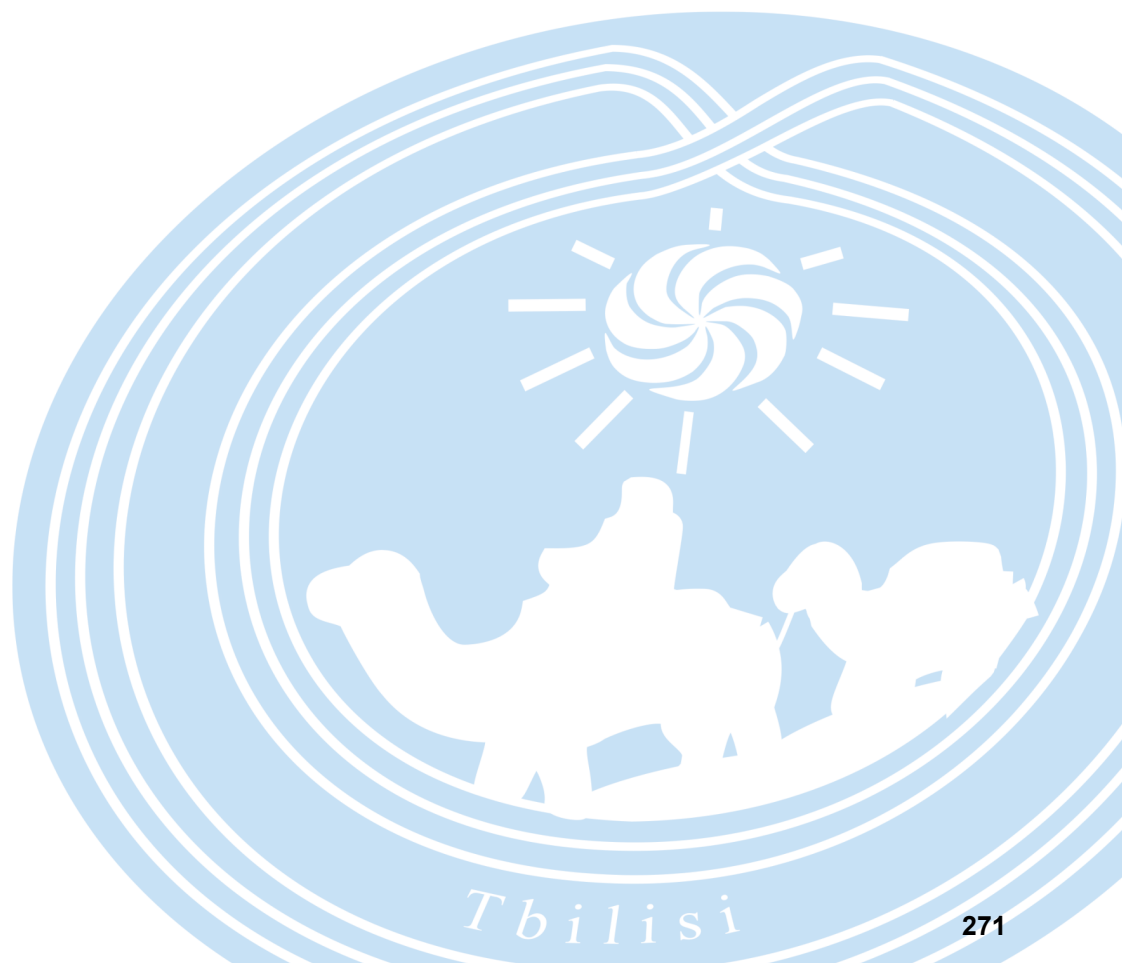
We can conclude that the more familiar group work becomes to the students the less problems we have, as well the preference of group work is obvious. It is expressed not only in theoretical acquiring of knowledge, but also in mastering the skills necessary for teaching and learning process. It must be noticed that group work can be actually used at any stage of teaching on one condition – it needs control conducted by the group facilitator, whose function is to support the group work properly.

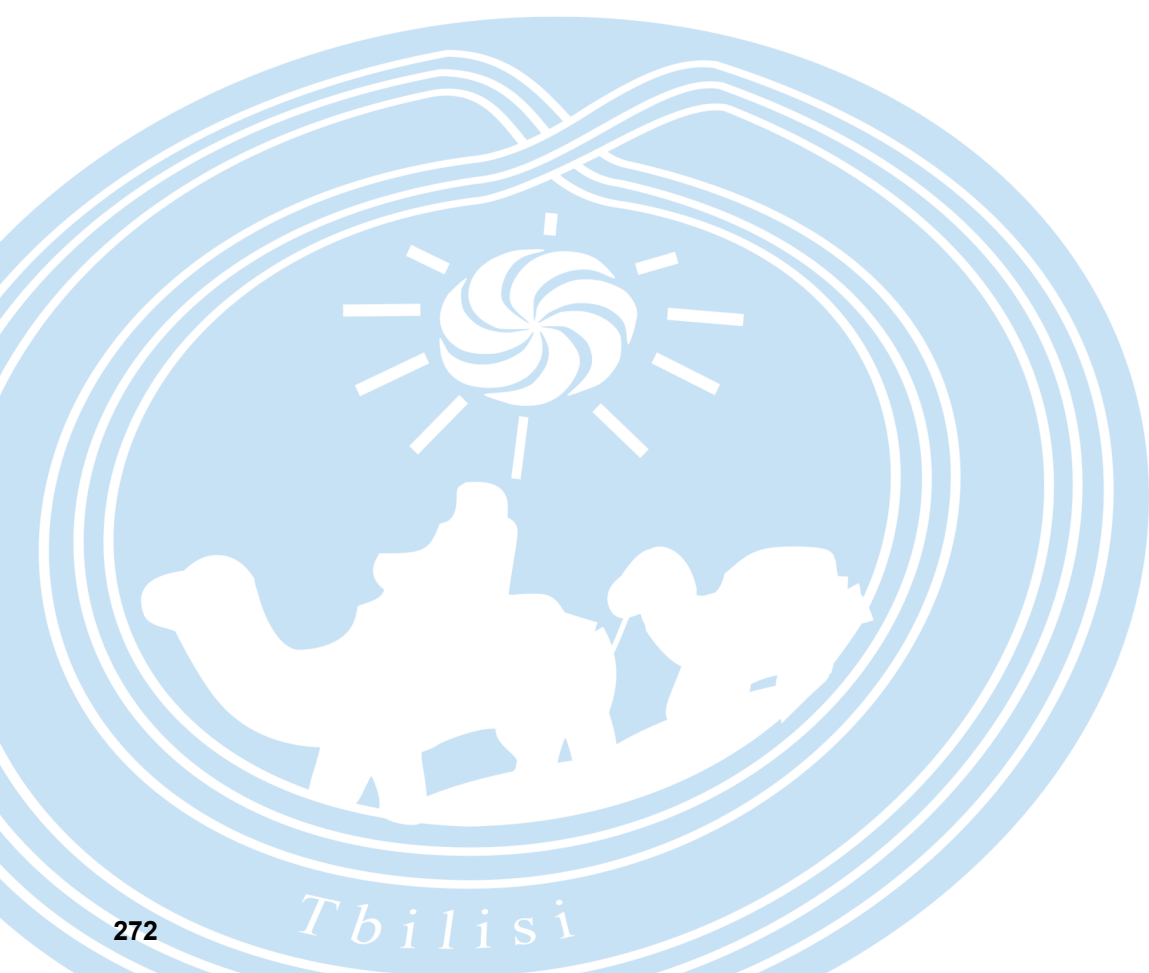
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Goals and Challenges of Higher Education Facing Azerbaijan

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Abstract

Substantive changes taking place in the society have direct impacts on the education system. If to think about the societal changes systemically trying to get a deeper understanding of these changes many educators will agree that successful changes in the society are stipulated by successful education systems.

After the collapse of the Soviet Union, the newly independent countries joined the European Higher Education Area. Within this political context and through empirical studies of higher education institutions in Azerbaijan, we will examine how higher institutions have developed and reacted to the introduction and expansion of new concepts within Bologna Reforming Process. By critically addressing such questions in Azerbaijan Higher Education Institutions that have and continue to undergo significant transformations from centrally planned, this paper will add to our understanding of the transformation that has occurred in higher education since the breakup of the Soviet Union.

The overall goal of the paper is to analyse the developmental challenges facing Azerbaijan in the field of higher education. We examine the current situation of the higher education institutions and propose a systemic approach to the solution of the problems based on the 'Logic Model Development Guide' by W.K.Kellog's Foundation.

Keywords: higher education institutions, labor market, Azerbaijan, challenges of higher education system

The convergence of higher education reforms in different societies can be explained mostly by the international economic imperative to remain competitive in the global market (Nguyen, 2007). Azerbaijan, like other former Soviet countries seeks increased participation in the global economy; it is forced to reassess the structure, function and roles of education. Opening to the outside world means opening the home market to increased foreign investment, transnational corporations, advanced technology, quality products and services. Thus, Xu (2005), Pham and Fry (2002), Ngok and Kwong (2003), and Mok (2005) agree that governments have to surrender some state autonomy in exchange for a better position in the global market place, and the old central planning model of higher education governance does not seem to be appropriate anymore.

The Bologna Reforming Process has 3 tools: European Credit Transfer and Accumulation System, Diploma Supplement, and National Qualifications Frameworks (The European Higher Education Area in 2012: Bologna Process Implementation Report). The member countries began implementing reforms to align with the Bologna Reforming Process. However, the continuous reforms do not make the education systems more effective especially if they lack systemic approach.

The analyses of these reforms, the evaluation and monitoring of implemented projects have been formal. There was not an effective system measuring positive and negative impacts of the reforms.

Misalignment between the academic fields and labor market demand is a serious issue in Azerbaijan that is worth discussing. The content of the academic programs and the curricula in some of the universities are outdated. As a result of it, the provided education becomes separated from the real needs of society, notes E.Najafov. The direction of the curriculum to the satisfaction of the real needs of the society increases the interests of both students and the university administration. Students become to be aware that, they cannot be good specialists without mastering the courses, which are designed for the solutions of the practical problems of the society (Najafov, 2000). In some cases, students are not able to apply theoretical knowledge into practice since there is a gap between what they learn and what is demanded by labor market. There are still some teachers who do not introduce ICT to their classes and teaching process. And do the teachers, who use ICT in classroom, make connections between the content of the academic program and ICT application? Universities need to train teachers so that they get new skills and knowledge in order to be able to teach students who welcome modern technology since their early ages.

It is not clear who and how makes decision how many teachers we do need. There is not any reliable data, which shows that by increasing the number of teachers we also increase the ratio of unemployment though the relevant agencies find it hard to train teachers due to large number of teachers. This mismatch is one of the factors for the loss of teacher status in Azerbaijan, like in some other Post-Soviet

countries (Silova and Kazimzade, 2010).

Educators are flooded with these questions: How is the student performance assessed? How do we know if our graduates are well prepared for the rapidly growing demands of labor market? Are our graduates ready to be responsible as active citizens? Is there any system measuring it?

Lack of external accountability can be seen as another challenge. Students, teachers, and policy-makers are seen as responsible community members of the education system. This is where an issue arises. The public should be provided with an honest data and stories that would enable them to see the substantive changes in the education sector and define their role in contributing to the education system.

Educational opportunity is a missing problem for many countries but the nature of the problem is different in these countries. In Azerbaijan, the enrolment rate in higher education is low (UNISEF, 2010). The secondary school graduates cannot get admission to universities due to tightly controlled quotas for student admission although they get the required score at the university entrance examination.

Concentrating on developing universities, foreign model higher education institutions and smaller institutions immediately raises the specter of inequality (Altbach 2004). Physical and technological resources, financial resources, the quality of teaching and researching, the quality of student services differ greatly in most urban public and private universities and those in regional universities (Nabiyeva, 2012). While some universities meet all these criteria, for other universities it would be challenging to get accredited due to limited resources. If the accreditation process would be not formal how many universities in Azerbaijan can get accredited? Will it cause new difficulties for the education system? These questions should be clarified in order not to

face the devastating effects to the system.

Quality assurance is regarded as an overarching focus for European Higher Education Area but this process is very slow and not effective in some member countries, including Azerbaijan. The implementation of the European Credit Transfer and Accumulation System and Diploma Supplement has been implemented; however, the National Qualification Frameworks (NQF) is under development. NQF is a tool for describing and clearly expressing the differences between qualifications in all cycles and levels of education.

In Azerbaijan, what we need to do is to revise the content of the academic programs. Some employers think that the recent graduates do not meet the needs of the labor market. Another issue is competition between the local graduates and the graduates who studied abroad. The second group of graduates can easily get jobs. This also makes us think if we teach the right things to our students. Textbooks, materials are sometimes an issue, since most of them were in Russian related to the publications of the soviet times and there is a great need to have materials, textbooks in the native language today that can also respond to the demand of the modern period.

As the other member countries, Azerbaijan has implemented a number of reforms as required by the Bologna Reforming Process. However, these reforms lack of systemic approach. The analyses are not based on reliable data. The accreditation system is not effective. Substantive changes must be made for the higher education institutions to get prepared to go through 'mission + standards' accreditation that foreign universities experience (Nabiyeva, 2012).

The chart below describes the solution to the problems that make the accreditation system formal which prevent the higher education institutions from enhancing the effectiveness

Resources	Activities	Output	Short – & Long-Term Outcomes	Impact
MOE and University administrators commitment to enhancement of institutional effectiveness	Universities will revise the missions and purposes; MOE accreditation body will revise standards for accreditation; support universities to establish a reliable data management system. Accreditation body within MOE will collaborate with universities to train staff and peer review teams	Universities and MOE will make substantive changes in self-regulation processes. Higher education institutions and academic programs get accredited; reports are published on university websites and accreditation commission website to provide public with honest data and stories.	Universities will have trained staff responsible for self-assessment process; the quality of education will be improved; The accreditation commission will provide continued guidance for universities	The effectiveness of higher education institutions will be enhanced
Faculty commitment to teaching and researching	To develop and/or revise Faculty Handbook that will define the responsibilities of faculty members; criteria for recruitment, appointment, promotion, evaluation	The university will make sure that they have an adequate number of faculty members to assure the accomplishment of class and out of class responsibilities	Teacher mobility as termed in Bologna Reforming Process will be accomplished	The quality of education will be improved

MOE and University administrators commitment to faculty development	To set salaries and benefits to attract and maintain highly qualified faculty members	The university will have specific plans for the recruitment, training, and evaluating if they hire graduate teaching assistants	Students will benefit from highly qualified faculty members' experience and teaching methodology	The faculty policy of a university will be in compliance with purposes and missions of an institution
	Faculty will ensure that the content of the academic program and teaching methods meet academic and professional standards; to provide the faculty with equal opportunities for professional development	There will be clearly expressed steps and requirements for faculty recruitment (full-time, part-time, and adjunct) and promotion	Universities will be able to attract and maintain highly qualified specialists/professors	
Policy-makers commitment to implementation of the Bologna Reforming Process	To complete National Qualifications Frameworks; to shift from traditional input-based approaches of categorizing qualifications to a focus on learning outcomes	Academic programs are revised (the content, the curriculum, the textbooks, etc.)	The differences between qualifications in all cycles and levels of education are described and clearly expressed	The Bologna Reforms will be fully implemented. The effectiveness of higher education institutions will be enhanced
	To revise standards of quality assurance system; to train staff; to support the internal quality assurance systems in universities	To cooperate with quality assurance and recognition professionals	To have a Quality Assurance system recognized in European Higher Education Area	
	To develop programs to contribute to student, teacher, administrator mobility; to implement short-term exchange programs to support the professional development of the target group	Students benefit educationally, linguistically and culturally from the experience of learning; Teachers, administrators develop professionally	Universities have highly qualified students and faculty	
MOE, MOF and universities collaboration in the sphere of universities' financial autonomy	To improve the recently adopted financial mechanisms; to hold trainings for staff members	Sharing the progress on financial mechanisms with other universities	Universities become financially independent	The effectiveness of higher education institutions will be enhanced
MOE, education NGOs, universities joint projects at the national level	To develop a strategy iEducation for All; to address the issues which contribute to the problem (quotas, education quality, etc.)	Students who are qualified get admission to universities; Students from rural areas and/or low income families get education opportunity. New strategies on needs-based of students are developed	Higher education enrollment rate increase	Secondary school graduates will have access to tertiary education

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Impacts of Teacher-student interaction on multicultural classes (Case of International Black Sea University)

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Abstract

One of the major components to reach a perfect stage of success in a multicultural environment at the present time is having at least good foreign language skills. Knowledge of different languages becomes not only required, but almost a vital condition for each individual to achieve private, business and professional goals as well as participate in international processes, mobility etc.

Intellectual, cultural, social and technical progress sufficiently stimulates Higher Educational Institutions and also represents inseparable parts of international processes mentioned above.

I would like to name International Black Sea University (IBSU) as an example of an institution which inspires various nations with absolutely different cultures, languages and moral values to share their own culture with foreigners. The main mission of IBSU is tolerance, care about creating a positive atmosphere, realizing peoples' potential and development creativeness skills. Knowledge of foreign languages, such as English, Russian, Spanish, German and Turkish, helps students with personal and professional growth.

Students from different parts of the world study at this University. Some of them are not informed enough about the social, cultural and political issues, higher education system of the country they temporarily live in. That factors make evident how necessary it is to take into consideration at the first stage of teaching and learning in order to simplify the process of adaptation of the students, especially in the period when they just start to enter macro and micro worlds.

Many efforts are to be made for creating a successful and effective plan while teaching foreign language in a multicultural environment. There should be an analysis and selection of a teaching methods appropriate to the target audience and the objectives. Instructors should adapt individual and innovative teaching methods that reach participants at all skill or literacy levels, learning styles, and experiential levels.

Keywords: Foreign students, adaptation, studying style, the methods of teaching, multicultural environment

Nowadays knowledge of a foreign language is considered an important component of success. Second language acquisition is becoming an essential aspect of achieving success in our personal, professional and business fields; it is a great advantage of taking part in international processes.

In the 21st century, in the modern age of globalization and internalization, demands on people's global knowledge has first place. Modern age requires high-qualified specialist, who really know the language, who are relevant in not only speaking, but reading and speaking skills. Multilingualism considered an indicator of success in career- building. The knowledge of second language helps students to enrich professional competence and perception.

In this day and age, the world calls for rebirth education, culture and traditions, what can be reached with the help of intercultural dialogue and combination moral –material values.

Intellectual, cultural, social and technological progress is a kind of stimulator for universities; they have a leading role in international processes.

Currently, at age of innovations, interchange of different

cultures, languages and moral issues of nations, I want to name International Black Sea University, and educational and scientific-research centre, the university which stands for the aim of tolerance, positive intercultural relationships, and realization of individual potential and development of individual creative skills.

Multiple international conferences, symposiums and other events are oriented for consolidating dialogue and friendship between countries. The main mission of The International Black Sea University is based on globalization.

As we mentioned, the awareness of several languages is the leading demand in the modern Labor Market. The International Black See University gives chance students to study English, Russian, Spanish, German and Turkish languages, which helps them in professional growing.

At this university lots of international students are involved in the studying process. They have a preference to study in Georgia because of several factors:

- "Good University"
- "the low price"

- “the low barrier to pass”

The experience of working with foreign students has illustrated how significant is the first step in their studying. This first stage for students is the entrance in micro and macro environment. Sometimes international student has a lack of information about the new country, about its economy, culture, political status, the higher education system. Adaptation is complicating problem for foreign students. It includes student's biological, physiological, socio-cultural peculiarities. The student should adjust new environment, new educational system, different nations and intercultural relationship.

This is the reason of occurring difficulties and clashes. During the foreign language studying process teacher's treatment should be very accurate. Language teachers should use proper verbal and nonverbal communication. At the beginning of studying every simple detail has importance: intonation, clear articulation, mimics, body language should be tolerable for everybody with different background, because there is a big chance that simple gesture to turn into huge misunderstanding.

In the multicultural environment teachers should be aware of students' ethnicity, their cultural peculiarities.

The relationship between foreign students and teacher is a very sensitive issue. First of all, teacher should have a solid personality, a high emotional intelligence and an emotional competence. The teacher should be flexible in different kind of situations, should find quick and effective solutions in a conflicting situation. He should handle with his own weaknesses and failures in adequate way. He should have an ability to balance inner emotions and conflicts. The teacher should respect the students, he should regard students as persons, humans. The teacher should take into consideration the logical chain of student's behavior. He should anticipate their age, gender, religion, race and social status. Another essential factor is to use various kinds of activities, avoid odd methods and use non-formal tasks. The well-organized studying process is one of the significant factors. The style of studying and the form of relationship between students and teachers has significant meaning. The teacher should try to build and maintain the suitable rapport with students. He should anticipate and study which factors increase the motivation of students. The most successful factors are:

1. The enthusiasm of a teacher
2. The appropriate material
3. Well-planned annual curriculum
4. The active interaction in studying process
5. The reliable rapport between student and teacher
6. The simple and easily-understandable, situational examples
7. The variety of studying methods and studying environment

We should anticipate that every individual, student or teacher has his unique teaching or learning style; for this result, finding the universal method of teaching and learning method is impossible.

The influential factors in teaching depend on the specific of subject, context, age, education, gender, ethnicity and definitely cultural background

The Chosen teaching style might have an impact on the student's learning style. The essential part of the effective studying style is diagnostic tests. This kind of tests avoids confusion between selected teaching strategy and student's chosen learning style.

The persistent updates of teaching styles and teaching methods have a positive impact on the student's motivation. It helps teacher to increase the quality of a student's interaction in the studying process. Every culture has its distinctive teaching style. For instance, Japanese prefers group work activities, Europeans choose individual work. A successful American student tends to be independent, thinks critically. All of these could be stereotyped and couldn't be worked. The teacher should help the students to break the existed stereotypes and use the spectrum of activities. The students with different cultural background and different language should enrich their stereotyped learning style with the help of assimilating new style and then, with crucial strategies for their realization.

Conclusion

In conclusion, I think that foreign language teaching in a multicultural studying environment requires on the one hand, suggestions and sharing of individual styles and on the other hand, enrichment of materials and constant research of innovative ways. Only this kind of method could be the proper indicator of success.

The theoretical material based on accurate methods literature should be enhanced by the academic language which tolerates student's cultural values, by the introduction of new linguistic peculiarities, introduction of new lifestyles. All these mentioned will help student to find his own path in the multicultural environment, accommodate and adjust environment easily. This kind of experience will help the student to become a flexible person in any country, adjust any kind of situation easily, and find the intercultural similarities with himself. This kind of encounter helps student to become tolerant, simultaneously, the student gains high cultural awareness. With these attitudes students become the link between positive intercultural relationship and next generation.

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The Ways of Enriching University Student's ESP Vocabulary

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Abstract

The paper discusses of teaching vocabulary and terminology to university students, not majoring in English. The importance of teaching English in general and ESP in particular is emphasized. Types of vocabulary taught to university students are viewed (general language in use, general scientific language and terminology of the given language). Teaching terminology is described as done mainly in three ways: teaching terms in their wide-scientific meaning, technical meanings of the well-known everyday-vocabulary words, and decoding derived words. The necessity to deal with vocabulary while teaching listening, speaking, reading and writing (and not only reading, as it is done traditionally) is underlined. Different activities for acquisition of terminology and word-decoding models are viewed.

Keywords: vocabulary, terminology, LSP, ESP, word decoding, derived words

With the development of international contacts our country is becoming part of the international business, political and economic world where English increasingly is the language of communication. Knowledge of at least one foreign language allows modern specialists to follow the developments in the area of their professional activities and gives them an opportunity to communicate with their foreign partners without any intermediaries. Coming from the above said, it is necessary to mention that a good command of English is now generally recognized as an indispensable part of many different professions.

The main achievement of modern linguistics is the creation and development of the theory of Language for Special Purposes - LSP (namely, English for Special Purposes - ESP) and its further implementation (Dudley-Evans, 2001; Hutchinson and Waters, 1987; Robinson, 1991; Strevens, 1988). Today the level of proficiency in English acquired by students majoring in technical specialties is higher than it was a few years ago. This is closely connected with the occurrence of new opportunities, i.e. growing economic scientific and educational contacts with different countries.

Vocabulary is the flesh of the listening, speaking, reading and writing communication, tied to the spine of grammar to permit the communication act to occur. The vocabulary of the under study variety of foreign language its composition is very important as different layers of lexis require specific attention and various methods of teaching on the different stages. Successful learning is possible only when terms "are not taught as a subject separated from the students' "real world (or wishes); instead, it is integrated into a subject matter area important to the learners" (Fiorito, 2005).

Dudley-Evans and St John (1998: 83) suggest two broad areas of vocabulary teaching to ESP students:

a) vocabulary that is used in general language but has a higher frequency of occurrence in specific and technical description and discussion.

b) vocabulary that has specialized and restricted meanings in certain disciplines and which may vary in meaning across disciplines.

According to Ter-Minasova, the vocabulary of LSP students consists of three main layers (Тер-Минасова, 1986: 104):

- 1) general language in use
- 2) general scientific language
- 3) terminology of the given language

The foreign language of university students not majoring in the target language is mainly enriched due to dealing with terminology. It can be done in three ways:

1. Teaching terms in their wide-scientific meaning (e.g. root as a) the part of a plant which is normally in the soil, b) basis, main part, c) number, multiplied by itself a certain number of times, produces another quantity) and their narrow-scientific meaning (e.g. root in metallurgy as the top of welding seam).

2. Teaching specific, technical meanings of the well-known everyday-vocabulary words, such as run = go, work, move, path, length, pipeline. It is necessary to get student to see that those meanings are logically connected with the ones known to them (all the above-mentioned meanings have common meaning of motion and displacement). It is necessary that the students in understandable context guess

such meanings themselves without using the dictionary.

3. **Teaching** productive word-building or, to say more exactly, **decoding derived words**. Even for absolutely productive affixes as un-, in-, -er, -less, -able, -ness, -like, we cannot say that they derive words from any stem according to the given model. So reception is the main aim of teaching word-production (decoding the meanings of derived words). Via teaching it we obtain enlargement of passive (receptive) vocabulary by thousands of words.

According to Brown and Ryoo (2008), teaching not simply the definition of the term, but its deep comprehension (they call it a content-first approach) is more effective than the more superficial approach. This is in agreement with the above-mentioned viewpoint of

Unfortunately, this approach is possible if the S/FL teacher has at least a superficial knowledge of the contents, which is not always so. However, this problem can be easily overcome in the class with the same L1, as students can apply subject knowledge they receive in corresponding courses and even share it with the language teacher.

The way we suggest (teaching simultaneously a bunch of meanings of the term in different branches of science) is in agreement with this approach, as it makes students think over the general and the particular meanings of the term, stimulates them to analysis, and helps them eventually to develop decoding strategies, which permit them to "calculate" the unfamiliar meaning of the familiar (in another context) term.

Based on the fact that terminology is exact and, correspondingly, "dry", many students and teachers deeply believe that teaching terminology has to be (automatically is) dry. Not so. Lytovchenko (2009: 26) has shown that it can be interactive and entertaining. She suggests to use listing, ordering and sorting, comparing and contrasting, problem solving, sharing personal experiences, and creative tasks and projects.

Terminology can be practiced applying traditional vocabulary drills (gap-filling, multiple choice, matching) as well as various games, such as guesswork. This is a stand-up activity. Half of the group has sticky sheets of paper with terms on their backs. The other half is walking around, choosing a partner to whom they are trying to explain the term via a definition or context. If the 'term-bearer' of the term guesses it, the 'guesser' gets some beforehand prepared token (a button, sweet, etc.) – each 'term-bearer' has one token. The person who has the greatest number of tokens by the end of the 5-minute period is the winner.

Noguchi (1998: 17) suggests as one of the important constituents of teaching medical English regularly dealing with affixes of Greek and Latin. Students are given lists of such affixes to learn before every class and take 10- minute quizzes at the beginning of each class period. Each quiz is composed of ten statements (fifteen in the second semester) using an affix-containing term. For example

An oncogene can cause a normal cell to become cancerous. The electrocardiogram revealed that the young man had a heart problem. Japanese encephalitis, in which the brain becomes inflamed, is transmitted by a mosquito

Traditionally, terminology is mostly taught to ESP students mainly via reading. This is, on the one hand, natural, as students (and in the future specialists) need to read many professional texts. Students are asked to keep personal vocabularies. The terms taught like this can be recognized and understood by students, but it does not automatically entail using them actively. This makes students' vocabulary skills

receptive. We want to underline that terminology should not be taught one-sidedly, it should also be taught via listening, speaking and writing activities. Gap-filling while listening can be recommended, as well as gap-filling while reading (without the words given in the box) and then checking the forecast via listening. This will develop anticipatory / forecasting strategies for both reading and listening. True/false (of definitions) while listening will be a useful exercise. For speaking (terminology-oriented) activities we can offer asking a student to make a three-minute speech concerning the offered term. For writing tasks mini-essays entitled with terms are a good idea.

Jiangwen & Binbin (n.d.) enumerate the following ESP vocabulary learning strategies: contextual guessing, memorizing, affixes learning, repetition and recycling the words, relating the word in reality, and brainstorming activities. In English vocabulary, there is a relatively small group of very useful accessible affixes that can be introduced to learners when learners are at appropriate levels of their language development. For example, low intermediate learners may start with affixes like, -able, -er, -ish, non-, un-, etc. An important point in being independent is to recognize the learner's own style of learning and find their own ways of expanding and organizing their word stores.

Georgieva (2010) enumerates the following types of activities for teaching ESP vocabulary and terminology:

- a) matching: the word to its definition, the term in target and native languages, term to the picture/symbol/diagram/abbreviation, the parts of terms consisting of two or more words, the compound words beginning with ... (root given)- to their definition
- b) true/false,
- c) categorization,
- d) multiple choice,
- e) answering questions,
- f) completion (gap-filling) tasks
- g) cross-words,
- h) creation tasks – the students use the new terms in a sentence or a story, in writing, speaking or both forms.

We especially like the following exercise offered by her:

Match the compound words beginning with ship- to their definition.

	1. board	a. sailors who are sailing on the same ship
	2. load	b. tidy, clean and neat
	3. mates	c. the loss or destruction of a ship at sea
Ship	4. owner	d. the goods and passengers a ship can carry

5. shape	e. where ships are built or repaired
6. wreck	f. happening on a ship
7. yard	g. a person who owns the ship

(Georgieva, 2010:9)

To teach derivative words, we should apply different approaches to (absolutely) productive and no longer productive derivation:

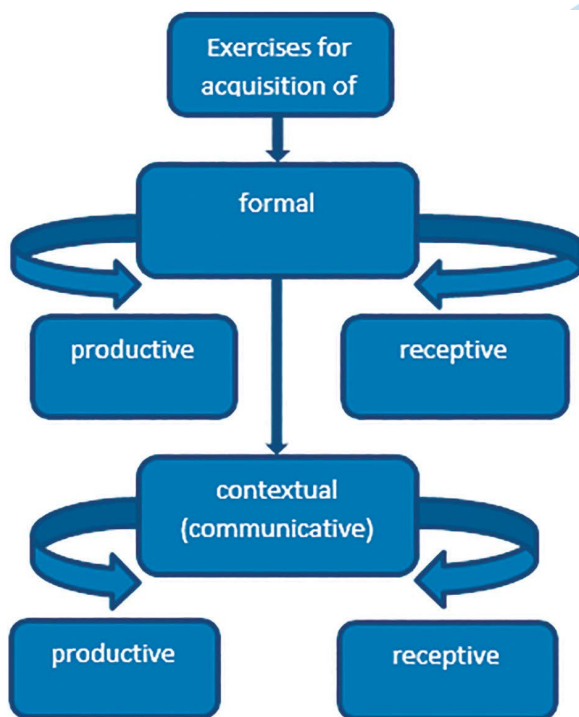
- For absolutely productive suffixes (-er, -ness, -less, -able, -like) – both word-derivation (productive drill) and word decoding (receptive exercises)
- For productive with limited ability and non-productive suffixes – only decoding
- Doubtful: should students try to 'create' words themselves? But risk-taking in 'creating' words is sometimes a useful strategy in spontaneous communication.

We analyzed some ESP course books regarding vocabulary exercises and found that most of them contain word-production and not word-decoding exercises.

The drills and activities for vocabulary teaching to ESP students should be organized in a system similar to GE (General English) teaching:

- Form-focused
- Content-focused

According to this approach we offer the following system of exercises for acquisition of suffixes



Thus, vocabulary is essential for communication. Today, when university graduates are all involved to this or that degree in foreign language communication, effective teaching of vocabulary is of vital importance, but not always the practice of vocabulary teaching is effective. To improve its quality we suggest:

- Vocabulary taught to students, not majoring in English, should consist mainly of terminology or general stock words often used in special texts.

- Teaching vocabulary has to be linked with content-teaching, so the language teacher has to know (at least on the surface) the contents of the taught ESP field.

- Terminology can be practiced applying traditional vocabulary drills (gap-filling, multiple choice, matching) as well as various games.

- An effective way to fast enrich students' receptive vocabulary by times is to teach prefixes and suffixes and then word-decoding. The exercises used for this purpose are similar to other vocabulary exercises.

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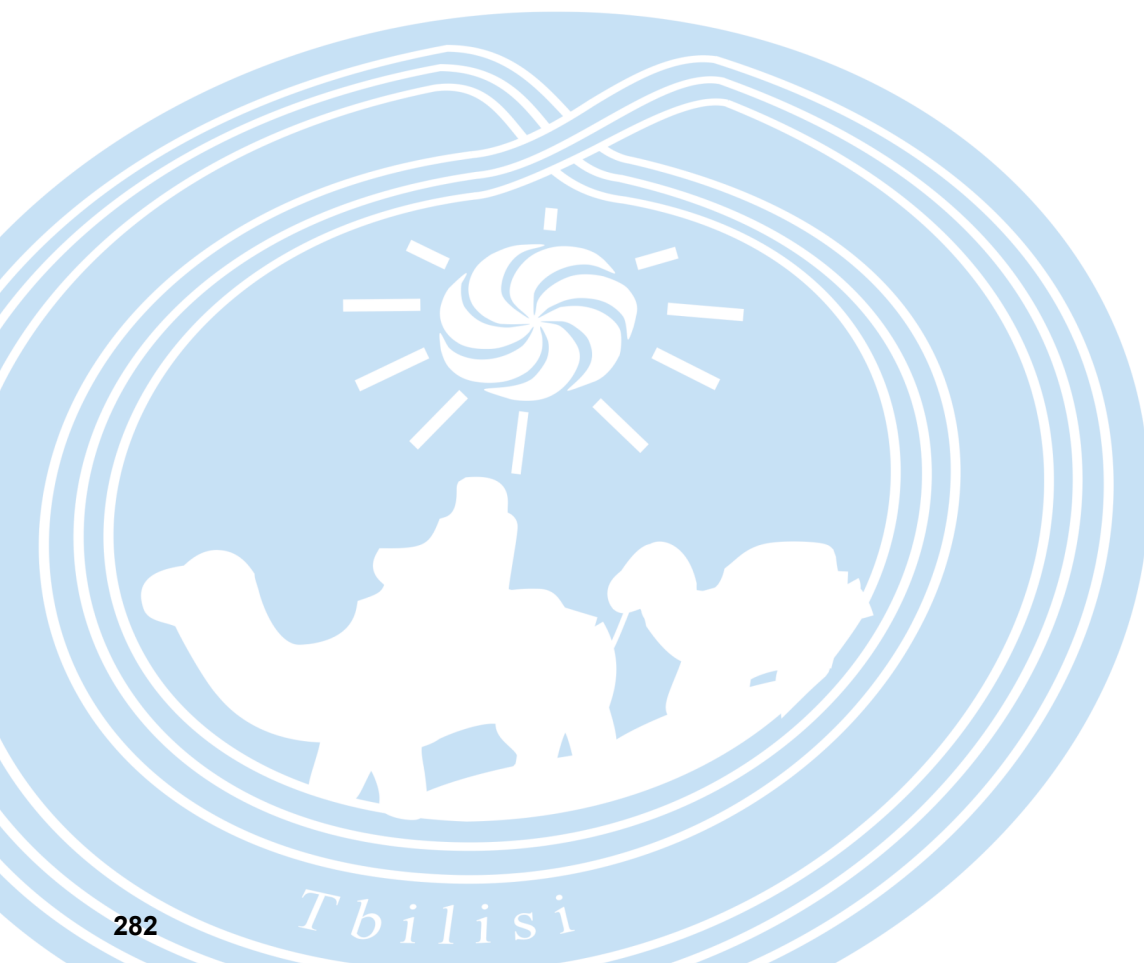
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The Importance of Counseling and Culture in the American Education System

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Abstract

As a society becomes more diverse as intercultural interaction increases worldwide, educators and counselors must also take into consideration the influence of culture on themselves and their occupations. To be more efficient and supportive with students they have to elaborate approaches and evolve new expertise in intercultural communication. Teaching methods and approaches must take into consideration how students from different cultures learn. Ways of thinking in one culture may not be well-appreciated in another, and still all ways may be beneficial. Teachers should consider particularly what values they are consciously and unconsciously communicating – whether the values are relevant to a multicultural society in today's enormously interdependent world.

Keywords: multicultural, counseling, mainstream, factual-inductive, affective-intuitive

People exist and must exist in relationships with other human beings throughout our entire lives. Each of the humans with whom one comes into communication brings to that contact his or her own perception of the universe. Each of the groups in which one has been brought up, has spent a lot of time to educate the individual to view the world from its outlook. What and when we eat, how we eat are behaviors we have learned from the society in which we have been brought up. Not only language we speak and the way we think, but what we see, hear, taste, touch, and smell are conditioned by our cultures. The main source of enculturation is the family. Through family we acquire our basic values, attitudes, beliefs, and world views. Our culture is adopted informally just by growing up in a certain society. The more homogeneous the society, the more homogeneous the child-rearing methodologies.

Schools are the second most crucial source for enculturation. Teachers forcibly or more intensively develop the primary cultural values granted by parents. Students gain knowledge and learn at the same time how to better adjust to the dominant culture.

In the beginning of the XX century, when there were vast numbers of immigrant children in the U.S.A., the public school system was the major institution for Americanization (Ivan Chermayeff, Fred Wasserman and Mary J. Shapiro, 1991)

Teachers were expected not only to transmit knowledge, but also the pertinent values and behaviors to succeed in the New World. According many American educators it was the essential duty of public schools to obliterate “all the dis-

tinguishing foreign characteristics and traits, as obstructive and warring, and irritating elements.

In many neighborhoods evening classes were offered for adults who were expected to learn English and American culture. Henry Ford began an Americanization program at his Detroit automobile plant, where citizenship classes were obligatory for foreign employees. The first sentence they learned to say was “I am a good American” (Ibid, 93).

I. Culture and Education

Education is both culturally-determined and culture-specific not just what we learn, but also how we learn. Facts never speak for themselves. They are placed in a context and arranged according to a hierarchy of importance dictated by the dominant society's values.

Education is culturally-determined and culture-specific – not just what we learn, but how we learn as well. Facts are organized in a context according to a hierarchy of importance prescribed by the dominant society's values.

A number of cultures accentuate rote memorization as the essential way of learning while others start with “creativity”. In cultures where rote memorization is prevalent, creativity is also important. Although the grounds would be that we cannot be creative until we have acquired essential skills and knowledge. How can one be mathematically creative until he or she learns how to add, subtract, divide, and multiply?

Americans are fascinated by experimental or participatory learning, where students participate in learning via demonstration and diverse exercises. Most other countries of the world acquire knowledge didactically, with teachers transmitting information to the students, while students do not demonstrate knowledge of skills right after it is transmitted. They must practice first

An American teacher after explaining long division asks students to volunteer to come forward and show their command of long division on the chalkboard. The majority of American children will frenziedly wave their hands to attract the teacher's attention. These students are not only willing to display their skills and knowledge, they are competing as individuals for the teacher's attention. It is individual competition. There are winners and losers, and it's "me against the group". (Jules Henry, 1963)

As for American Indian children, they in the majority of cases do not raise their hands as in most tribes you do not compete against your peers. Moreover, you cannot demonstrate a skill until it is fully mastered.

In case you fail when you go to the chalkboard, you not only lose face, but you also show your arrogance. Indian children will practice their skills alone or within a group of close friends, after which they may demonstrate them to en-tire class.

Even the way we think, present our arguments is culturally affected. In northern European and mainstream American cultures, children are taught to gather together an enormous amount of "facts" and then pick out those facts which are applicable to making their case. This way of thinking and form a study of using language effectively might be identified as factual inductive, abstractive, or analytical.

In other cultures, one starts with the conclusions and link together various "facts". This might be called affective-intuitive, associative, or relational thinking.

The factual-inductive way of thinking is typical of good memo writers or lawyers. They state appropriate facts in a well-organized manner. The affective-intuitive way is typical of poets and artists – everything is associated with or related to everything else. In some societies memo writers and lawyers are well-regarded; in others, statues are erected of poets and artists.

II. Counseling And Culture

Educators convey culture as they convey knowledge and skills. Counselors also convey culture but they concentrate on emotions and behavior that may be inappropriate in the mainstream culture. School and job counselors, clergy, mental health experts, and psychologists and psychiatrists are all professionals who help others to fit in to the society, achieve their personal and professional goals, and/or achieve their full potential in life.

Normality and abnormality are culturally defined and culture-specific. Expect for such severe mental problems as psychosis, what might be normal in one culture could be seen as abnormal in another.

Counseling or therapeutic approaches and methodologies depend upon one's culture. Emotionally disturbed individuals might be removed from their families in the United States and meanwhile in Nigeria they might be placed within other families.

It's interesting to note, that the institute of counseling doesn't exist in Georgia at all.

When persons have psychological or any other problem, they apply to close friends and relatives. Thus it's obvious how cultural traditions differ.

III. Counseling And Culture

Teaching methods and approaches must take into consideration how students from different cultures learn. Ways of thinking in one culture may not be well-appreciated in another, and still all ways may be beneficial.

Replacing the parochial myth that there is only one way to educate with more appropriate assumption that there are many culturally distinct ways to reach a particular goal would be more reasonable. The belief that there are many ways of achieving a particular goal is called equifinality.

Teachers should consider particularly what values they are consciously and unconsciously communicating – whether the values are relevant to a multicultural society in today's enormously interdependent world.

As a society becomes more diverse as intercultural interaction increases worldwide, educators and counselors must also take into consideration the influence of culture on themselves and their occupations. To be more efficient and supportive with students they have to elaborate approaches and evolve new expertise in intercultural communication.

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The Actual Issue of the System of the Higher Medical Education in Georgia

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Abstract

In the article, consideration is given to the problem in sufficient practical training of graduates from higher medical schools, which is especially actual for medical education. It is emphasized that “performance of training tasks” training method should prevail over “acquaintance with information” method; while performing the concrete task a student should not only master the algorithm of successful professional work but also study to gain the true information. For increase in quality of practical training of students and actual training to medical skill, it is necessary to organize special medical clinics in higher medical schools. But in order to provide high quality of medical care in such clinics - an advance trainings in special simulation centers or centers of practical skills should be organized.

The main task which is necessary for solving for improvement of practical preparation of future doctors – change of the approach to this preparation. First of all it is necessary to change the mentality which has developed historically of the teacher of medical school (that is rather difficult) and its role in the course of training of the student.

Keywords: higher medical education, practical preparation, training clinical tasks, Moulage technologies, bed-learning, role-playing games

One of the most actual problems of the higher medical education has still a problem of insufficient practical preparation of graduates of medical schools. The national educational standard of medical education means prevalence of a method «performance of training tasks, situational clinical tasks etc.» over a method «acquaintance with a situation» (that is method of theoretical development of a material). The medical school must ensure that students have patient contact and acquire sufficient clinical knowledge and skills to assume appropriate clinical responsibility upon graduation. Carrying out of a particular practical task, the medical student masters algorithm of the correct logically constructed clinical thinking and also simultaneously learns to find to use the necessary information. It is necessary to pay tribute to promptly developing scientific and technical progress – wide introduction in our life of the extensive the Internet of resources in many respects facilitated a problem of search of the relevant thematic information. The medical school must ensure adequate clinical experience and the necessary resources, including sufficient patients and clinical training facilities. On a practical training it is necessary to offer students such clinical models of situations which not always have the unequivocal decision – that learns to argue, logically to build algorithm of the solution of this situation. As to final examination of medical students - that just it, instead of practical occupations during a semester, represents certification of theoretic knowledge that is clear in studying of particular subject.

For improvement of quality of medical education of students and development of competence of medical thinking - clinical work is extremely important, that means the organization of versatile university clinics – called training – bed-learning (at a bed of the patient). From the first courses there should be definitely an integration of basic and clinical subjects – studying of classical subjects for the highest medical

personnel should be based on clinical examples – from the very first days training the medical student should understand accurately how in practice that theoretical basic knowledge will be necessary for it – which the studying on the first three courses means. Every student should have early patient contact leading to participation in patient care. The different components of clinical skills training should be structured according to the stage of the study programme. It is necessary to note that recognizing that on the first courses the student has no corresponding skills for work in clinic, yet – clinical work should have purely fact-finding character. Besides practical preparation of students of physicians (especially on the first courses) doesn't correspond to standards of safety and ethical standards of their admission to the patient. Training at a bed of the patient has an essential shortcoming: it can break the right of the patient to rendering high-quality medical care. Besides, teacher doesn't supervise this process – therefore there is no confidence that the student mastered the correct technique. Therefore justifiably to precede such training by passing of practical seminars in special simulations and mold laboratories that is also provided national standards of the higher medical education. In such centers future doctors take possession practical medical skills (from an injection of medicines before carrying out warm and pulmonary reanimation) on exercise machines, models, phantoms.

Moulage technologies arose and have the greatest development where mistakes when training on real objects can lead to lethal consequences. In the conditions of the similar centers future doctors master not only necessary practical skills, but learn to work in team, develop safe forms of professional behavior and skills of communication with the patient. It is necessary to note that in used techniques playing of clinical situations and performance of manipulations on exercise machines prevails. Within practical preparation of students in

the simulation centers an important method of training are role-playing games. The role-playing game means modeling of a clinical situation which is similar that in life, whether but it doesn't become the real tragedy and gives the chance to understand, estimate theoretical preparation the student physician that remained missed during the theoretical training meaning carrying out lectures and a practical training is sufficient. During a role-playing game to the student should be to mobilize theoretical knowledge available for it and practical skills, and not only what he prepared for a particular subject of occupation, including exactly here he starts to understand accurately why to it development of the general competences on such disciplines as was necessary.

It is important to note that training on exercise machines, models, simulators – as the method of imitation of professional activity is shown not only for students, but also for young specialists (residents) doctors who raising the qualification Work of the similar centers is calculated not only on medical students, but on more extensive medical category. Probably and very actually use of the similar centers for carrying out various actions for vocational guidance of future entrants.

On the other hand, it is necessary to note that similar methods of training have the shortcomings. First of all it is big material inputs, as exercise machines, models, simulators stand very expensively. Besides, the educational process constructed on creation of clinical situations, role-playing games etc. demands use of complex techniques of training which can realize only by team highly skilled and suitably prepared teachers. Therefore the organization of special training courses for teachers is required.

Listed above transformation don't demand that is very important without existing curricula medical faculties, but demand the considerable capital investments connected with purchase of exercise machines, models little changes in an organizational approach of financing of educational process and, that the most important, development of special techniques of training from universities.

Unfortunately, comparison of quality of practical vocational training of doctors in Georgia and the developed countries of Western Europe, is far not in favor of the first. Thus the vast majority of foreign experts note higher high-quality theoretical preparation of students of medical schools in Georgia.

The main task which is necessary for solving for improvement of practical preparation of future doctors – change of the approach to this preparation. First of all it is necessary to change the mentality which has developed historically of the teacher of medical school (that is rather difficult) and its role in the course of training of the student

Analyzing existing methods of training, we come to a conclusion:

1. the method of training is a way of collaboration of students and the teacher which purpose is achievement of concrete results of training (development of the corresponding general and specialized competences).

2. (lecturing, viewing of videos, supervision over practical work of doctors, studying of visual aids and preparations, carrying out educational research, the solution of clinical situational tasks, participation in conference, educational game etc.), it is possible to reduce every possible receptions of training to two essentially different methods of training: «acquaintance with information» and «performance of training tasks».

Therefore, if our task is to improve practical preparation of doctors, it means that the method of «performance of train-

ing tasks» should prevail over a method «acquaintance with information». Let's note also, as for the student bigger interest causes the second method of training as being trained by this method it accurately understands a task – «why he learns this or that subject – and as the acquired knowledge will help it with future profession». The student, carrying out of a concrete task, not only masters algorithm of successful professional activity, but also learns to extract information necessary for this purpose (that is actively uses also the first method of training). Proceeding from it, it is obvious, that it is necessary to improve preparation of future doctors through intensive innovative ways of development.

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“History and Tourism Curriculum development as a significant variable in raising the awareness of one’s own cultural heritage, serving the country on its way to prosperity”.

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Abstract

Tourism industry and its prosperity is the key for economic development of a country like Georgia, located at the crossroad of Europe and Asia, being a core of Silk Road. We believe that policy makers should acknowledge the importance of proper education of professionals and supplying them with precise historical background, because these professionals will be the ones involved in different sectors of economy. Our paper projects the aspects of teaching history by developing an efficient curriculum that gives an emphasis on the aspects of our country which are attractive for touristic purposes. In doing so, we offer concrete guidelines on facilitating the understanding of one’s own country while fostering the professional development.

Keywords: higher medical education, practical preparation, training clinical tasks, Moulage technologies, bed-learning, role-playing games

I. Reasons to study history

The biggest concern about teaching history in the university level is the communication of its importance to the students. It is especially difficult to motivate a student who has chosen a very different profession and strongly believes that history would add no value to the profession selected. The Ministry of Education and Science of Georgia has made it mandatory that every profession offers courses of Georgian Language and History to the freshmen students of the bachelor level. Being a compulsory subject alone does not guarantee that the students embrace the course content and will be eager to complete the course. What we offer in this section is the reasons that can be communicated to the students so that the incentive is provided when learning the subject.

Here is the list of the reasons and we are going to discuss them below:

- a. History provides identity.
- b. History provides us a context from which to understand ourselves and others.
- c. Studying history improves our decision making and judgment.
- d. History shows us models of good and responsible citizenship.
- e. History also teaches us how to learn from the mistakes of others.
- f. History helps us understand change and societal development.

a. One of the unquestionable reasons why all modern nations encourage teaching of history is that it helps provide identity. The elements of history are taught on every level of teaching in some form. We focus on identity because we see historical data as the source including evidence about how families, groups, institutions and whole countries were

formed and about how they have evolved while retaining cohesion. For many students, studying the history of one’s own family is the most obvious use of history, for it provides facts about genealogy and at a slightly more complex level a basis for understanding how the family has interacted with larger historical change. This way, the family identity is established and confirmed. Many institutions, businesses, communities, and social units use history for similar identity purposes. And of course nations use identity history as well. Histories that tell the national story, emphasizing distinctive features of the national experience, are meant to drive home an understanding of national values and a commitment to national loyalty. A specialist of tourism needs a thorough understanding of history in order to provide a complete picture and lead a visitor through the overwhelming experience of the country s/he visits. We believe that including a complex of historical interpretations will enrich the skills of the future professional and thus increase the employability of our every student.

b. The great philosopher of education, John Dewey, wrote, “...the achievements of the past provide the only means at command for understanding the present.”

History provides us a context from which to understand ourselves and others. “The student who learns history will unconsciously develop what is the highest value of history: judgment in worldly affairs. We gather historical knowledge, not to make us cleverer the next time, but wiser for all time.” Jacques Barzun (adapted). Providing that tourism industry is in development and believing that it is the key to prosperity of our nation, we deeply believe that this is what exactly is needed for future prosperity.

University should acknowledge that these professionals will be the ones involved in different sectors of economy and a complete understanding of world and how it turns will enable them wiser, as the quote mentions, making the right decisions for themselves and the country itself.

c. Perhaps the most often-cited practical reason for stud-

ying history is that history improves our decision making and judgment. This is, and it was foremost in the mind of Thomas Jefferson when he wrote that schooling in America’s new democracy should be “chiefly historical.” He said, “the people...are the ultimate guardians of their own liberty. History by apprising them of the past will enable them to judge of the future. It will avail them of the experience of other times and other nations; it will qualify them as judges of the actions and designs of men.” A century later Woodrow Wilson agreed that history endows us with “the invaluable mental power which we call judgment.” Now, some two centuries hence, Diane Ravich, a contemporary education policy analyst, affirms the continuing relevance of Jefferson’s view, “History doesn’t tell us the answers to our questions, but it helps to inform us so that we might make better decisions in the future.”

How are we to understand present realities? On what basis shall we make decisions about the future? Shall we act blindly out of passion and ignorance, or shall we attempt to act rationally based on knowledge? If the choice is knowledge, there is only one place to find it. “The future is an abstraction, the ‘present’ but a fleeting moment, all else history.”

d. History shows us models of good and responsible citizenship. History teaches us that a single individual with strong principles and great persuasions or a committed group can change the world. “It is from numberless acts of courage that human history is shaped. Each time a person stands up for an ideal, or acts to improve the life of others, or strikes out against injustice, he or she sends forth a tiny ripple of hope, and those ripples build a current that can sweep down the mightiest walls of oppression and resistance.” Robert F. Kennedy (adapted).

Students of tourism not only need the historical significance of the landmarks and the heritage but also the figures in history. The actors that have taken a large stake into the prosperity of concrete industries and the economy as a whole are to be valued and studied in order to possess live examples of our contemporary stars.

e. History also teaches us how to learn from the mistakes of others. History must serve as our laboratory, and the past must serve as our most vital evidence on the way to figure out why people behave the way they do in common situations. If decision makers do not consult history, they make decisions without all of the facts. Each person’s world view is shaped by individual experiences, as well as the experiences of the group to which he or she belongs. If we are ignorant of the contemporary and historical experiences of a variety of cultures, then we cannot hope to understand why people, communities or nations behave the way they do or make the decisions they make. A better understanding of the motives of others around us helps the prospective professional to construct his/her working style according to the projections that history provides along the way. This will ease the communication process and will allow finalize any negotiation of the deals more efficiently.

f. History helps us understand change and societal development. Citizens are not born capable of ruling. They must be educated to rule wisely and fairly. The cornerstone of democracy is the informed citizen. “History helps us understand people and societies: it offers the only extensive evidential base for the contemplation and analysis of how societies function, and people need to have some sense of how societies function simply to run their own lives.” Dr. Peter Stearns, Historian. For these reasons, putting part of the history in complex with tourism in a curriculum of any profession enriches one’s experience to become aware of the individuals, groups, events, cultures, beliefs and values which have affected the lives of people in the past and shaped contemporary society inside the country.

II. Including history in different curricula

The nature of history in a student-centered curriculum, a comprehensive and balanced understanding of history is essential if a student is to become a confident, educated, critical and responsible adult member of society. A rounded historical education reflects the nature of history itself: first, it is concerned with knowledge and interpretations of the lives of people in the past, and secondly, it enables the learner to experience something in their future career. Through exploring the past in this way, a learner can acquire knowledge and concepts while simultaneously developing important skills and attitudes appropriate to their individual stages of growth. After having discussed the motivating factors of teaching history now we can discuss the process of including it in the tourism curriculum and in general in other related programs. Curricula teaching of the different periods should ensure that learners understand and use historical concepts in increasingly sophisticated ways to make connections, draw contrasts, analyze trends, frame historically-valid questions and create their own structured accounts. By doing so, as we mentioned in the first section, our students will be better decision makers and wise leaders. For achieving this ambitious goal that the university has established, students need to develop an awareness and understanding of the role and use of different types of sources, as well as their strengths, weaknesses and reliability. They should also examine cultural, economic, military, political, religious and social aspects and be given the opportunity to study local history. A detailed synthesis of the material used in teaching history should be performed in order to provide the students with authentic and at the same time reliable source for the reference. Source alone is not sufficient without the proper relevance of it to the profession and to the concrete use and applicability. In order to gain historical perspective it is vital to place growing knowledge into different contexts, understand the connections between local, regional, national and international history; between cultural, economic, military, political, religious and social history; and between short- and long-term time-scales. A high-quality history education prepares students to think critically, weigh evidence, pose arguments, and develop viewpoint and judgment. Knowledge of country’s past, and our place in the world helps us understand the challenges of our own time. The course should aim at the following outcomes: A student should be enabled to:

- engage in simple studies of some of the more important aspects of periods in which political changes or movements have had an important influence on the lives of people in the country;
- acquire some knowledge of the major personalities, events or developments in these periods;
- explore, discuss, compare and develop some simple understanding of the attitudes, beliefs, motivations and actions of differing individuals and groups of people in the past;
- begin to develop some appreciation of the former generations appreciate that the notion of tolerance developed over time, that the notion of equality of treatment of people had to evolve over time;
- acquire insights into the attitudes and actions of people in contemporary nation;
- develop a growing sense of personal, national, wider identities.

The curriculum we offer is based on the following pillars:

“History and Tourism Curriculum development as a significant variable in raising the awareness of one’s own cultural heritage, serving the country on its way to prosperity”.

- a. the lives of the people in the past;
- b. a sense of time;
- c. the phenomenon of change.

The lives of people in the past is concerned with our interpretations of the actions of people in the past and the ways in which men, women and children responded to, and lived through, these events. Exploring the lives of people in the past, and especially the causes and effects of their actions, contributes to the student’s awareness of human character, motivation, belief and emotion. More immediately, it can help the learner to understand more fully the world in which s/he lives how events and personalities have shaped the home, locality and wider environments in which s/he exists.

The particular people and events which are thought to be historically significant will vary from historian to historian, from society to society and from time to time. However, students will understand the actions of people in the immediate past more readily than those of people in distant ages, and historical enquiry will acquire a greater relevance for learners if it fulfills their need to explore and understand their immediate environment. For these reasons, the history curriculum places a very strong emphasis on the study of personal and local history in all departments in the university level.

By exploring the changes which have occurred and elements which have remained unchanged in their own lives, in the lives of others, and in their industries and immediate environments, students begin to appreciate the existence of times different from their own. Their historical understanding is enriched as they visit and investigate the buildings and common features of the locality and the experiences of people who have lived there. Industry development and its innovations is the product of change. Not every change is smooth and painless, so by understanding the historical triggers we believe that our students will be more prepared towards the forthcoming change. The curriculum and its accompanying guidelines suggest how the development of valuable historical skills, concepts and attitudes will be achieved as these topics are explored. An essential element in the work of the historian is the communication of his/her interpretation of the past to others and this has led to the inclusion of communication as an historical skill in the curriculum. While the curriculum encourages the use of a range of communicative methods by students, many of these, such as oral retellings, drama, written accounts, worldwide web pages and other computer applications will encourage the development of skills in oral language, reading and writing. History will therefore provide rich opportunities for the enrichment and extension of learner’s language and its perception. Our paper projects the aspects of teaching history by developing an efficient curriculum that gives an emphasis on the aspects of our country which are attractive for touristic purposes.

Conclusion

Considering the outcomes that the course provides and the three elements that need to be present in teaching every history course, namely a. the lives of the people in the past; b. a sense of time; c. the phenomenon of change, we believe that our course will provide the uniqueness that is so desperately in need in today’s teaching. We once again stress that policy makers acknowledge the importance of proper education of professionals with history and supplying them with precise historical background, because these professionals will be the ones involved in different sectors of economy, holding the faith of our country in their own hands.

Teaching history in an appropriate manner can later make a unique and vital contribution to the harmonious development of the student not only in the spheres such as history, tourism, tourism history etc. but also in any profession relevant to the labor market needs and contemporary personal development, directly serving the country on its way to prosperity. We have mentioned the importance of historical knowledge for better understanding of oneself, the identity, the social development and the standpoint of every nation. By thorough understanding of these key aspects we believe that we can bring up a better generation for a brighter future.

“Preparing tomorrow’s future leaders is a responsibility we all share. Pathways to Prosperity

provides a clear way forward that demands the attention and participation of every sector working together to ensure our future success.”

Sanford I. Weill, Chairman Emeritus, Citigroup and Chairman, National Academy Foundation

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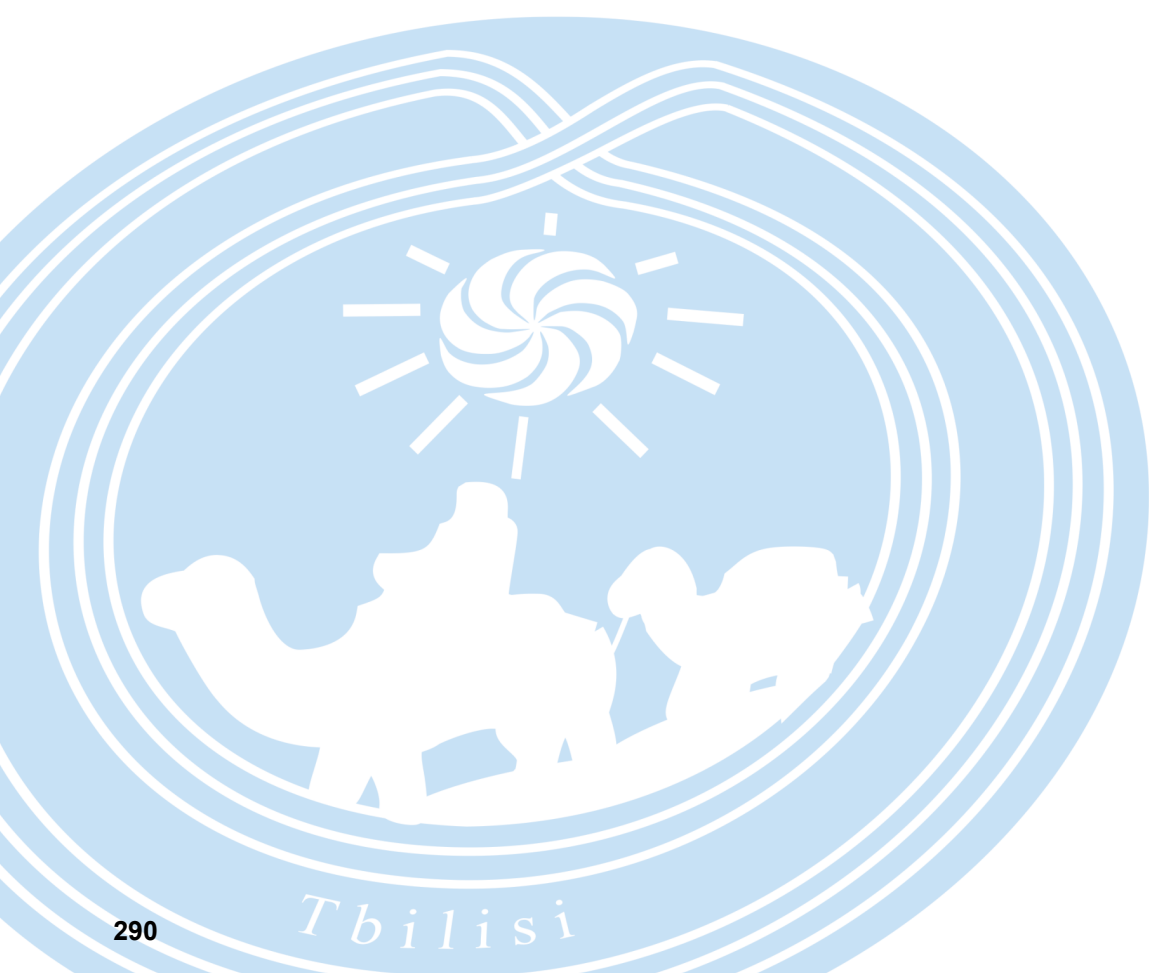
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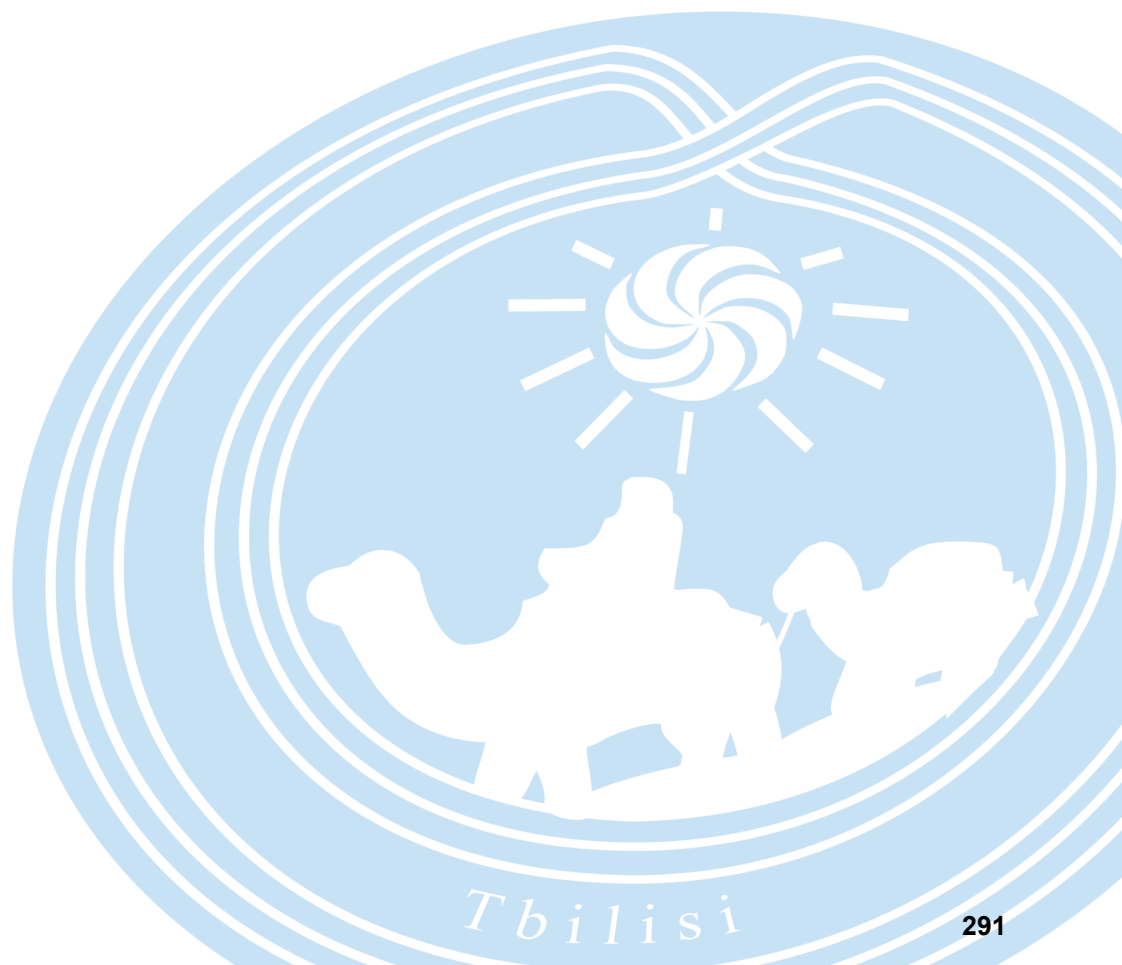
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Information and Communications Technology in Business, Social Sciences and Humanities





Recognizing and Ranking Effective Factors to Select the Most Appropriate RFID System in Productive Units with AHP Approach (Case Study, Jamco Co)

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Abstract

Information technology is one of technologies that have greatly influenced supply chains' management and logistics affairs. By rapid growth of the technology, collaboration and coordination between supply chains' members have been changed, and has moved from traditional interactions to integrated information systems between members. Meanwhile, some specific technologies have been interested more than other information areas. Product tracking during the chain and registering its related information in a point only is one of the cases. Radio Frequency Identification (RFID) is a technology that is used in supply chains' management in this direction. Although, the technology was emerged before supply chain and logistics' issues, it has been considered more than before due to its great application on the chain in recent years.

Keywords: Information Technology, RFID, AHP, Jamco co

Introduction

Nowadays, because of globalizing markets and increasing competition in global markets, organizations have increased their effort to survive in the market. It has been resulted to emerge supply chain management philosophy. Customers increasing and diverse demands, current developments in communication technology and information systems, competition in international level and more awareness of environment are some factors who oblige companies to focus on supply chain management (Tracey & Tan, 2001)

In fact, supply chain management includes integrating organizational units during supply chain and coordinating materials, information and financial flows (Asgari, 2005). Two counselors innovated supply chain management term on 1982 (Stadtler & Kilger, 2005). Different connoisseurs and researchers have identified supply chain management based on their view and expectations from it. Table 1 shows some views that are closer to the research subject.

By considering to advantages of RFID technology, it can be said that all information of supply chain can be examined by helping the technology. Certainly, there are many areas in supply chain that can be optimized by using the technology. The most important advantage of using RFID in supply chain is capability of complete supervision (tracking) over supply chain (Kakkainen, 2003). This advantage is shown in Figure 1.

I. What is RFID?

RFID is abbreviation of Radio Frequency Identification that refers to a small electronic piece includes a chip and antenna.

Usually, the chip can transfer 2000 bytes information. RFID applications are as same as the used magnetic tapes on credit cards, ATMs or barcodes. They consider unique

identification for the considered object, and like barcodes, they should be scanned to receive information (Saffar Varkiani, 2008: 42).

II.1 RFID System Components

Generally, a RFID system contains three sections (Moghadas and colleagues, 2009: 38):

- a) **Hardware:** hardware section of a RFID system includes three main components: label, data reader machine and database (Jones and colleagues, 2004). As it can be seen in Fig. 2, it works as follow: data reader sends electromagnetic waves, then label sends its information to data reader after receiving the waves. When the information were transferred to database, they will be processed and used by the related software.
- b) **Middleware:** the middleware transforms the received data from data reader machine to usable information in host computer system.
- c) **Software:** using a programming software and data bank such as Visual Basic (VB), Structure Query Language (SQL), Access etc are necessary to store and using information of database.

II. RFID Systems' Types

By considering the above-mentioned matters, there are different types of RFID systems in market (Tolou Engineering Co. website: [Http://www.rfid.ir](http://www.rfid.ir)).

II.1. High Range Active System

High range active system works in microwave frequencies. Range of sending and receiving waves between label and

Table 4: some definitions of supply chain management

Row	Researcher	Definition
1	Chopra & Meindl (2004)	Supply chain management means flowing materials and information in different supply chain for more profitability
2	Stadler & Kilger (2005)	During supply chain and coordinating materials' flow, supply chain management should integrate organizational units. It is done to provide final customer's demand and improve a supply chain.
3	Vajdi (2000)	Supply chain management includes integrating supply chain activities and their related information flows through improving the chain relations, in order to gain reliable and permanent competitive advantage.

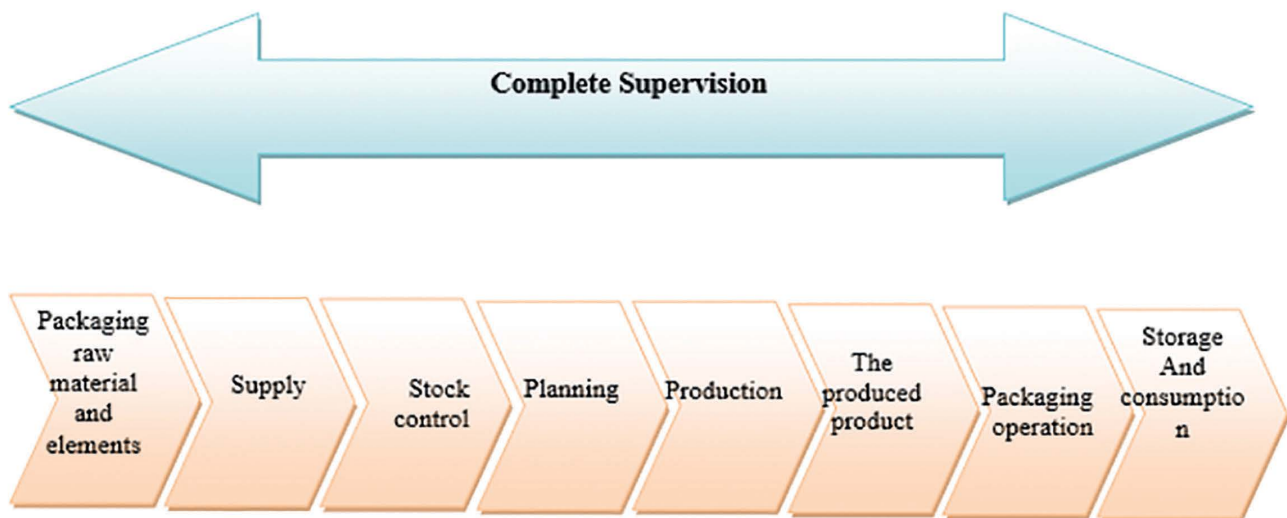


Fig. 1: RFID supervision in supply chain

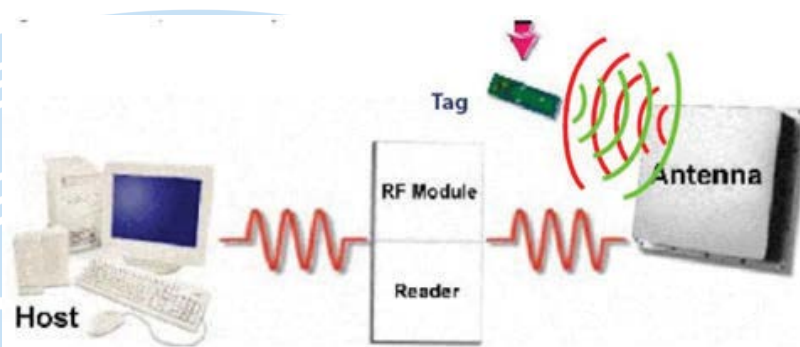


Fig. 2: RFID system components

Table 3: test results of the research hypotheses

Research hypotheses	variable	Average	Standard deviation	Statistics of Chi-Square test	Freedom degree	Meaningful level	Test result
First	Investment	3.51	0.57	91.42	4	0.00	H ₀ rejected
Second	Technology quality	3.45	0.55	28.98	3	0.00	H ₀ rejected
Third	System integration	3.25	0.48	104.42	4	0.00	H ₀ rejected
Fourth	Data management	2.96	0.64	53.61	4	0.00	H ₀ rejected
Fifth	System security	3.37	0.52	100	4	0.00	H ₀ rejected
Sixth	System safety	3.63	0.63	74.19	4	0.00	H ₀ rejected

Source: analysis of questionnaire No. 1 and SPSS software

data reader is 250 m. It is clear that labels need to battery for creating the range. In the system, labels send their identification code as pre-arrange alternatively. The label battery life is major matter in the system. If frequency period for sending label is short, number of sends in time unit will be increased; as a result, battery consumption and its life will be increased and decreased respectively. Life of active labels' battery is between one to ten years averagely. The active system is used in different applications such as area management, container tracking etc.

II.2. High Range Semi-Active System

This system works in frequency 4.5 GHz. The system label has battery too. Difference between semi-active and active systems is that label is turn-off in semi-active systems usually. The label is turned on when it is exposed in data reader magnetic field, and sends its identification number. As a result, life of label battery will be saved because it turns on in necessary times only. Range of high range semi-active system is about 100 m (between label and data reader), and it is used to control automobile traffic, tracking properties and equipments (specially metal ones) etc.

II.3. Medium Range Inactive System

This system works in very high frequency band. In the system, labels have no internal power supply and their required energy will be supplied through the sent waves by data reader machines. Their reading distance is relatively limited, by considering the matter. The system is used to manage storage and control automobiles' traffic commonly. Their send and receive range is between 3 to 15 m. It has an amplifier machine to make active labels.

II.4. Short Range Inactive System

These systems work in low frequencies including 125 KHz and 13.56 MHz. in the system, labels have no battery, and they are as card or label. Generally, the cards have a printable PVC surface and can be used as personnel cards. The cards' memory is about 4 Kb. The marked labels have no thickness like paper labels. The label can be easily stuck on objects that should be tracked. Generally, sending and receiving information range between the label and data reader depend on data reader type and label working frequency. Range of desktop and wall data readers are between 5 to 15 cm. There are other data readers as gate that creates a range about 120 cm.

III. Research Method

The research main purpose is to help Jamco Electrical Machines Co., in order to make appropriate decision about Implementation RFID system. The research included five steps, by considering the purpose: in the first step, decision making team, which includes RFID technology experts, recognized a RFID system that can help the mentioned company to implement its objectives and supply its needs. The effective factors to choose Implementation a RFID system in the company were identified in the second step. There was designed a hierarchical structure to be used hierarchical analysis process method in the third step, by considering the gained information from previous two steps. In the fourth and fifth steps, relative and final weights of the proposed criteria and systems were calculated by helping the used weighting techniques in the mentioned method; then the most appropriate system was recognized to be Implementation, by composing the weights.

3.1 The Used Questionnaire in the Research

Questionnaire No. 1

The questionnaire analysis result, which its respondents were leadership team member of the company, was used to recognize criteria of choosing RFID system in Jamco Electrical Machines Co. There was used from research and history literature to Implementation the mentioned technology and its challenges to design the questionnaire. The used questionnaire contains 21 closed questions, which they have been posed for the research hypothesis. The 21 questions have been extracted from main variables of the research model and sub-criteria of each variable. The questionnaire questions have been compiled based on the Likert Scale. Likert who was appointed as manager of public thoughts studies sector in Ministry of Agriculture, USA, on 1939, designed the scale. The Likert Scale is a distance scale (Taheri, 2006: 177).

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The following table represents the questionnaire separation and criteria to measure variables.

Table 2: questionnaire structure

Row	Criteria	Number of questions	Questions' order
1	Required investment	4	1-4
2	Technology quality	3	5-7
3	System integration	4	8-11
4	Data management	3	12-14
5	System security	4	15-18
6	System safety	3	19-21

The research statistical society includes all managers and experts in the mentioned company, which they are 52 persons. Finally, there were selected 35 persons to answer the questionnaire No. 1, according to Morgan Table.

Questionnaire No. 2

The questionnaire was designed based on clocklike spectrum. In the questionnaire, criteria and sub-criteria were compared as even, and respondents were leadership team members and managers in the mentioned company.

Questionnaire No. 3

The questionnaire was designed based on clocklike spectrum, like the previous questionnaire. In the questionnaire, every options (the proposed systems) were compared by considering the recognized criteria in previous steps. Its respondents were managerial team members.

III.2 The Research Hypotheses Test (resulted from analyzing questionnaire No. 1 in the research)

The present research has six hypotheses. They recognize effective factors to choose the best RFID system in Jamco Co. Generally, the hypotheses are:

- ✓ **The first hypothesis:** investment is a meaningful effective factor to choose RFID system.
- ✓ **The second hypothesis:** technology quality is a meaningful effective factor to choose RFID system.
- ✓ **The third hypothesis:** system integration is a meaningful effective factor to choose RFID system.
- ✓ **The fourth hypothesis:** data management is a meaningful effective factor to choose RFID system.
- ✓ **The fifth hypothesis:** system security is a meaningful effective factor to choose RFID system.
- ✓ **The sixth hypothesis:** system safety is a meaningful effective factor to choose RFID system.

Results of the research hypotheses test are as the following: Table 3.

Therefore, all research hypotheses were confirmed; it means that investment, technology quality, system integration, data management, system security and system safety are meaningful effective factors to choose RFID system in Jamco Co.

III.3 Creating Hierarchical Structure (Decision Tree)

Hierarchical analysis process technique was used to gain criteria and systems' weight in the research. Therefore, creating hierarchical structure is considered as the first step. In this step, hierarchical structure was designed in table 4, by using the identified systems and criteria in previous steps.

In this step, even comparisons' matrixes were created by using the gained data from questionnaire No.2, which the company managers' team was its respondents.

As it can be seen, the required investment has the most weight with relative weight 0.377. The incompatibility rate is 0.09, which it is accepted.

1.5. Sub-Criteria Final Weight

In Hierarchical analysis technique, sub-criterion final

Table 4: hierarchical chart to evaluate RFID systems

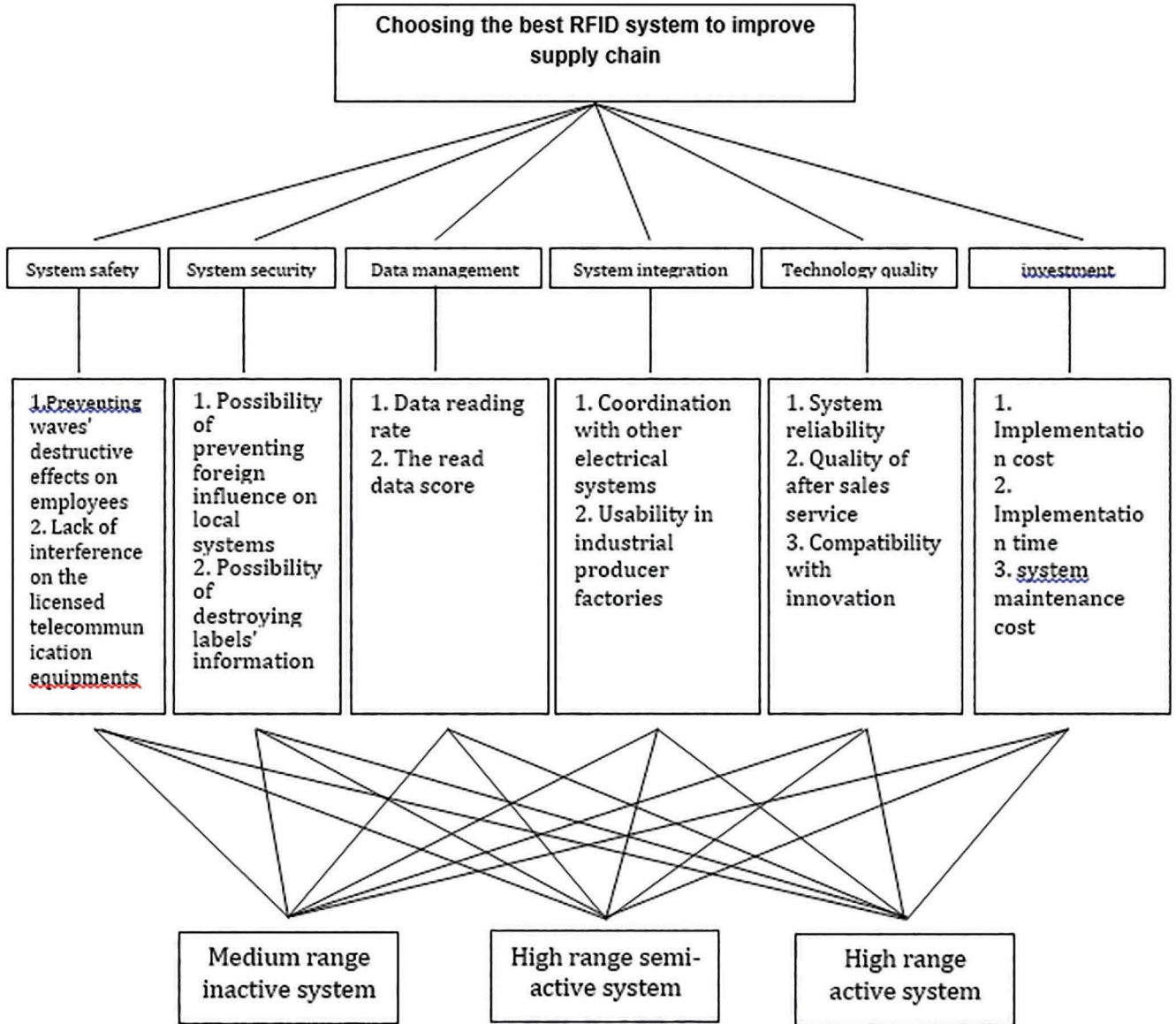


Table 4: relative weight of hexaploid criteria

Criteria	Relative weight
Required investment	0.377
Technology quality	0.200
System integration	0.076
Data management	0.105
System security	0.101
System safety	0.140

weight is gained by multiplying its relative weight on the related *موردگرس*. The following table represents sub-criteria final weight

As it can be seen in the table, the sub-criterion of system maintenance cost has the most final weight with value 0.213; it indicates the sub-criterion to choose a RFID system in Jamco Co.

1.6. Systems' Final Weight

Final rank of every system is gained by composing their ranks in comparison to sub-criteria. System final weight is calculated by multiplying systems' relative weight in comparison to each sub-criterion in final weight and summing it on all sub-criteria.

Table 6: systems' final weigh

Systems	Final systems
High range active system	0.301
High range semi-active system	0.267
Medium range inactive system	0.433

Source: Jamco Co. managers' opinions and RFID experts

As it can be seen in the above table, the medium range

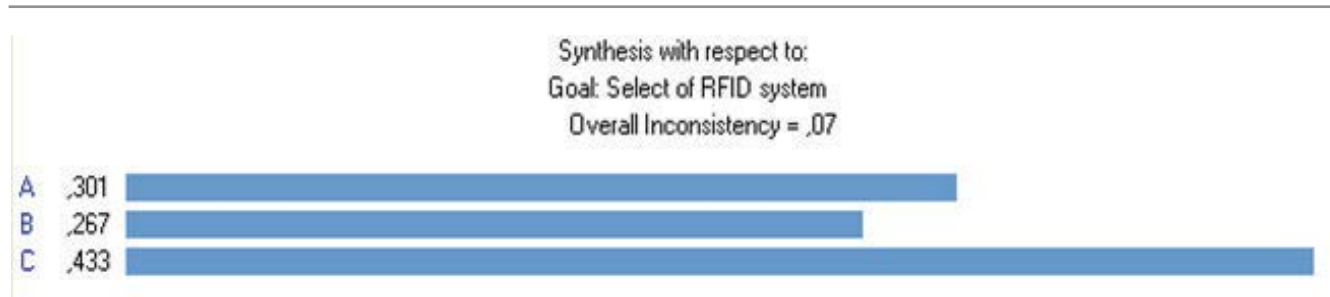


Fig. 3: Software Output

Table 7: ranging sub-criteria to select the most appropriate RFID system

sub-criteria for every criteria	sub-criteria final weight	sub-criteria rank
System maintenance cost	0.213	1
System reliability	0.143	2
Implementation cost	0.116	3
waves' destructive effects on employees	0.107	4
the read data credit	0.083	5
possibility of preventing foreign influence on local systems	0.086	6
coordination with other electrical systems	0.065	7
Implementation time	0.046	8
quality of after sales service	0.039	9
lack of interference on the licensed telecommunication equipments	0.032	10
data reading rate	0.023	11
compatibility with innovation	0.017	12
possibility of destroying labels' information	0.014	13
usability in industrial producer factories	0.011	14

Table 5: sub-criteria relative and final weigh

Criteria	criteria relative weight	Sub-criteria	Relative weight	Final weight
Required investment	0.377	1. Implementation cost	0.310	0.116
		2. Implementation time	0.123	0.046
		3. system maintenance cost	0.567	0.213
Technology quality	0.200	4. system reliability	0.717	0.143
		5. quality of after sales service	0.197	0.039
System integration	0.076	6. compatibility with innovation	0.086	0.017
		7. coordination with other electrical systems	0.848	0.065
Data management	0.105	8 usability in industrial producer factories	0.152	0.011
		9. data reading rate	0.214	0.023
System security	0.101	10. the read data score	0.786	0.083
		11. possibility of preventing foreign influence on local systems	0.857	0.086
System safety	0.140	12. possibility of destroying labels' information	0.143	0.014
		13. waves' destructive effects on employees	0.770	0.107
		14. lack of interference on the licensed telecommunication equipments	0.230	0.032

Source: Jamco Co. managers' opinions

inactive system has assigned the most weight by composing opinions of RFID experts and Jamco Co. managers. Total incompatibility is 0.07, which it is accepted. Therefore, it can be introduced as the most appropriate system to be implementation in the mentioned company.

Conclusion

The research was carried out to choose Implementation the most appropriate RFID system in Jamco Electrical Machines Co., in order to improve supply change management process. The technology experts proposed three systems for Implementation in the mentioned company, after examining its situation. Then, the system was ranked based on hierarchical analysis process technique after studying and recognizing main criteria to choose it in the mentioned company. Finally, medium range inactive system was identified as the most appropriate option.

The research results showed that investment factor is the most important criterion to choose RFID system, and it should be taken necessary actions to create areas for decreasing its cost in the country. System maintenance cost has assigned the first importance position among all sub-criteria.

Due to choose the medium range inactive system as well as considering the matter that all valuable goods and pieces have labels in the system, it is recommended to Jamco Co. encourage its providers to use inactive labels by considering incentives and advantages for them. It not decreases the company's costs for using label, but will decrease product stop time in receipt section too. It is proposed to managers in Jamco Co. that consult with radio waves' experts and take license from radio waves supervision organization, in order to avoid possible problems resulted law violation.

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Issues of Creation the Masters' Educational Module on Production Management by Using the SAP Software

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Abstract

Effective management for manufacturing requires adopting a whole range of decisions, including automation of manufacturing and mutually beneficial cooperation with business partners. The main task of the manager for performing these processes is to choose and realize strategically right and tactically necessary model of management. We can allocate the following main groups from a whole number of tasks, which the manager has to analyze:

- Development of manufacturing strategy;
- Management of business processes;
- Business planning;
- Financial management;
- Information services for internal and external customers.

In the line of above mentioned areas there worked out master's educational program in Georgian, Russian, and English languages at the Georgian Technical University - Department of the Management of Production Innovations and Operations. To provide the practical part of this program GTU implemented SAP Business Suite learning software, constituent part of the training spheres of SAP University Alliance. The software enables students to use databases and control facilities located in the head office of The Otto-von-Guericke University Magdeburg; communicate performed by internet in client-server mode.

Keywords: production management, management model, management tasks, SAP software

The Master's Program in Management and Policy of Technology will provide its graduates with the knowledge and skills to analyze complex sociotechnical problems, to structure and model their solutions, and to carry out the design and implementation of complex projects, programs and policies in the technological area. The program integrates management knowledge with the fields of technology specialization, and comprises of engineering elements, with courses in quantity analyzes, as well as courses in business planning, and economics. It emphasizes the integration of the different fields of management developing a general perspective to management problems and challenges. The program offers systematized analysis of the concepts and principles that are basic for an understanding of the technology management field. Course work relates theories and ideas to the operating practices and policies of production and operational issues at enterprises.

The program graduates will demonstrate the following competencies:

Knowledge and understanding: The program will equip graduates with knowledge to explore and understand technology as a corporate resource. It will show them how firms can use technology to design and develop products and services that maximize customer satisfaction on the one hand, while maximizing corporate productivity, and profitability and competitiveness on the other. With the analytical, modeling, and problem solving skills, the program will provide students with advanced technical knowledge in a particular engineering field of their interest. The core items of the program consisting of policy analyses and system modeling methods, which will give graduates ability of solving large-scale and complex managerial problems by their technical knowledge.

Applying knowledge: Graduates will be equipped with methods, tools and techniques for creative designing and assessing the impact of technical solutions on organizations, conducting research and analyzing of information by using the appropriate human and technological resources. They will look at both the physical technical system and at

the organizational network in which a technical solution must be embedded. Graduates will be able to apply successfully their knowledge in production and operational management strategy, apply tools and techniques for management decision-making, and conduct research using a variety of resources.

Making judgments: Graduates can make judgments from using various technological opportunities affected the mission, objectives and strategies in their organizations. By analyzing the potential of emerging technologies, they will be able to assess the commercial impact of their implementation on the organizational context of the firms. Graduates anticipating wider societal trends in which new technological production takes shape, can make decisions, which markets the resulting products and services, are to be sold.

Communication skills: Graduates, looking at both the physical system and the actors' network confronting technical challenges, management and ethical choices as well, can describe and discuss the elements of effective management in spheres of innovative technologies and production operations; communicate effectively through both oral and written presentations; demonstrate the ability to work with and/or lead a diverse team toward goal accomplishment; work effectively as a team member through group projects and problem analysis; develop and/or implement a plans, as well as develop conclusive report.

Learning skills: Graduates can take responsibility for their own learning; be able to learn from experiences gained in different of technology management; take into account prior knowledge, available time and the learning opportunities; avoid learning outcomes that are too broad or too narrow in scope; demonstrate an understanding of concepts and methods pertaining within a field of technology management; learn manage learning tasks independently; learn self-evaluation and take responsibility for continuing academic/professional development.

Values: Equipped with unique combination of technical, analytical and management skills, graduates will be ready to play leading roles at all levels of contemporary society, solving complex problems that cannot be solved by technology alone. They will be aware the necessity of crossing the boundaries of technical and non-technical discipline and the intersection of technology and public policy. In professional and societal relations, the graduates will rate highly respectful attitudes between colleagues, friendly climate for cooperation and collaboration, ethical behavior, self-responsibility and accountability, discipline and determination, critical thinking, self-honesty and self-understanding.

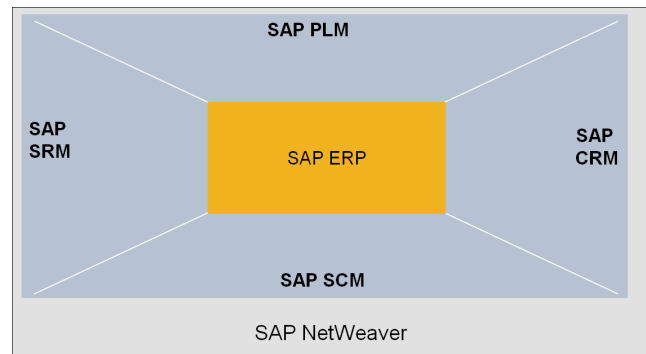
To provide the practical part of this program GTU implemented SAP Business Suite learning software, constituent part of the training spheres of SAP University Alliance. The software enables students to use databases and control facilities located in the head office of The Otto-von-Guericke University Magdeburg; communicate performed by internet in client-server mode.

The official name of the organization is SAP AG (SAP stands for "Systems, Applications, and Products in Data Processing", AG stand for the German term Aktiengesellschaft (International Phonetic Alphabet /aktsiəngəzɛlʃaft/) (abbreviated AG) means a corporation which is limited by shares, i.e., owned by shareholders. It may be traded on the stock market. The term is used in Germany, Austria and Switzerland.)

SAP is the world leader in enterprise applications in terms of software and software-related service revenue. Based on market capitalization, SAP is the world's third larg-

est independent software manufacturer. It operates in four geographic regions: **EMEA** (Europe, Middle East, Africa), **America** (United States and Canada), **LAC** (Latin America and Caribbean), and **APJ** (Asia Pacific and Japan), In addition, SAP operates a network of 115 subsidiaries, and has R&D (Research & Development) facilities around the globe in Germany, India, US, Canada, France, Brazil, Turkey, China, Hungary, Israel, Ireland and Bulgaria.

The company's best-know software products are its enterprise resource planning applications and management (SAP ERP) which is one of the five parts of the SAP Business Suite (See the scheme below). SAP Business Suite has real time 3-tier architecture: database, application server and client (SAP gui – Graphical User Interface).



- SAP ERP - Enterprise Resource Planning
- SAP SRM – Supplier Relationship Management
- SAP CRM – Customer Relationship Management
- SAP SCV – Supply Chain Management
- SAP PLV – Product Lifecycle Management

All these parts of SAP Business Suite have one common platform SAP NetWeaver for creating integrated business decisions (as shown on the scheme).

The same platform is used by two other SAP AG products SAP Business One and SAP Business All-in-One, which are oriented to small and medium sized enterprises (SME) and cost cheaper than previously mentioned products targeted large enterprises.

Another product, using of which is relatively inexpensive is SAP By Design - the software as a service (SaaS) - provides any application of a fully integrated enterprise resource planning (ERP) *software optionally on demand*.

SAP ERP has eight operational groups (transactions) which are logical connected to each other within particular business functions. These transactions are:

- MM (Materials management)
- PP (Production Planning)
- SD (Sales and Distribution)
- FI and CO (Accounting and Controlling)
- HCM (Human Capital Management)
- WM (Warehouse Management)
- EAM (Enterprise Assets Management)
- CS (Client Service)

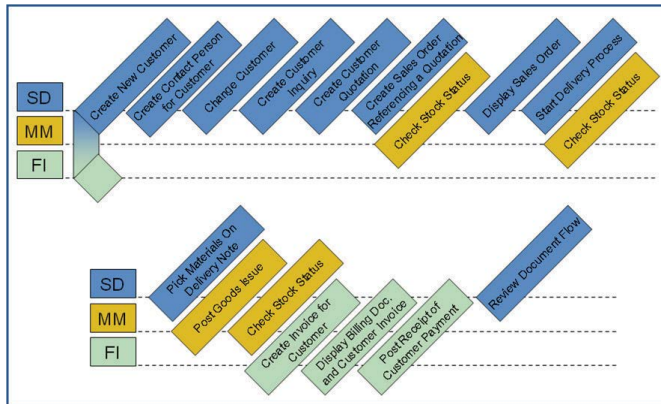
The educational module is built for the illustrative ex-

ample of the Global Bike Grope virtual company. The teaching issues are Organizational Structure, Products, Business Partners, and Business Processes of the company.

In particular we consider the following two integrated processes:

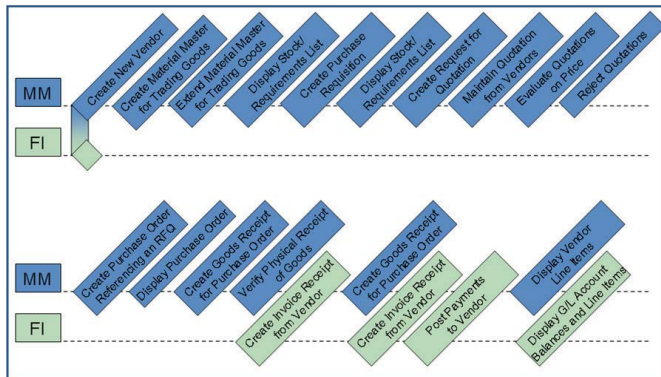
1. Order-to-Cash Process, which include:

- Sales and Distribution (SD)
- Materials Management (MM)
- Financial Accounting (FI)



2. Procure-to-Cash Process, which include:

- Materials Management (MM)
- Financial Accounting (FI)



This teaching material is intended to explain how to interact various fundamental business processes within ERP SAP in such spheres as distribution, material and production planning, finances and accounting, controlling, human resource management. After learning these business processes for appropriate cases students will be able to work with SAP user interface.

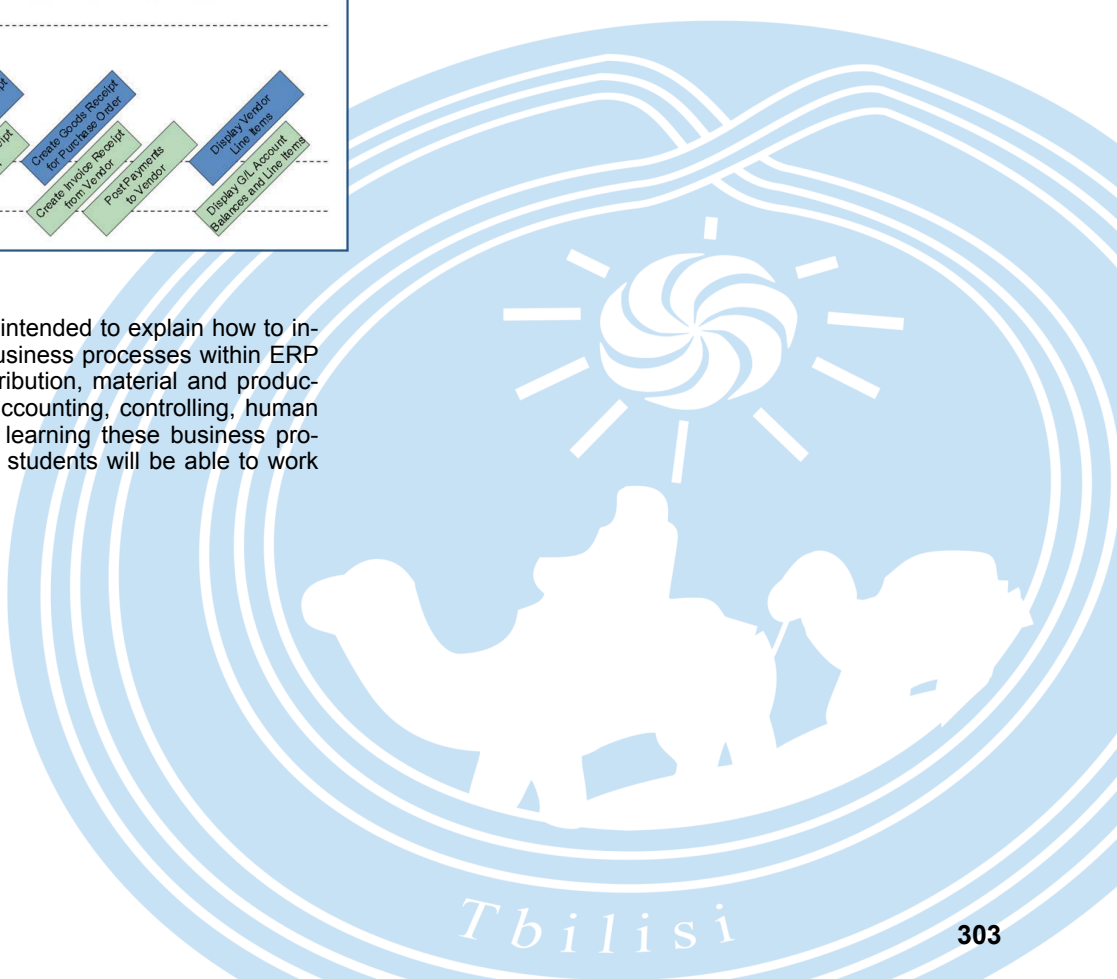
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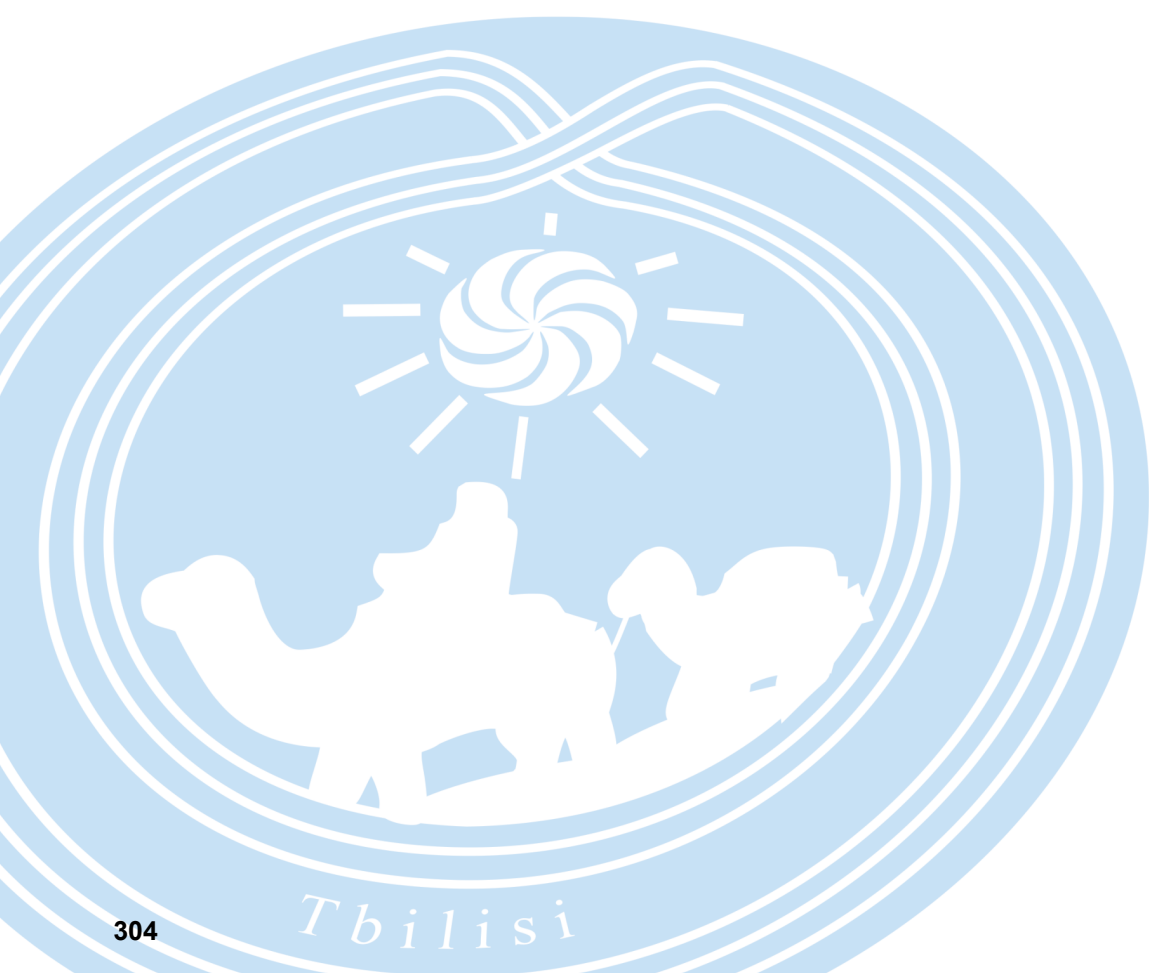
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The Process of Creating a Television Program Using a 3D Graphic Environment for Advertisement

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Abstract

The article considers the technological process of creating a television program using a 3D graphic environment for advertisement. Also video editing will be realized in the article. 3D Max has more effect than other program in making video editing. The image designed in 3D graphics environment or 3D Max may be sometimes difficult for the uninitiated. In composition, great importance is attributed to the layout of objects on the 3D environment stage. In general small details are quite important in creating 3D environment models which makes objects more realistic.

Keywords: Graphics Design; Video Graphics; 3D Environment; 3D Modeling; Video Editing

Introduction

The main stages for the creation of video graphic reel are: development of scenario, shooting of video-material, musical illustration, dubbing of the text, 3D environment modeling, "rendering" and importing in the Adobe After Effect program.

I. The main content

3D environment graphics use object surfaces editing tools during the modeling of the scene, in this case the 3D Max program allows us to work with such a surface, which can easily be edited.

In this case, we will implement the scene modeling by means of commands. The scene represents the interior, which is equipped with several items. Each of them is created from several simple objects.

While modeling of complex objects, the "lopting" standard method is also suitable, the method being more efficient and easy to use, but the whole modeled casing often requires different types of editing (Jikia M. 2006).

The image designed in 3D environment computer graphics or 3D Max is difficult to distinguish from the really shot one. Their study is not as easy as the Photoshop program since 3D environment software represents quite complex, powerful editor.

To create the final result of the composition the great importance is attributed for the layout of objects on the 3D environment stage. They will be located so as not to create chaos. We should also pay attention to the location of the object with regard to virtual camera.

Irrespective of which narrative is on the 3D environment scene, it should necessarily depict the result of some event.

The focus should be paid to the overall mood of the stage. It may be given the elements of correctly selected decoration or specific gamma of colors (Jikia M. 2006)

While working on the 3D project, we must take into account whether how an object looks on the stage, how well it is illuminated, etc. Little or large degree of specification depends on it. 3D environment image is a virtual reality.

The 3D environment imaging is generally used in cinema and video. To create realistic effect of an image while doing this in 3D graphics they are often forced to combine the real video with expressive 3D environment scenes.

During the process of working on 3D environment project it is sometimes very convenient to use a background image of the painting. It may need a high degree of detailed modeling of complex objects.

Often while creating 3D environment models, the role of small details is quite important, which make the object more realistic. The more small-scale details the scene contains, the more realistic the final scene looks

In order to create models that look real, it is necessary for them to be correctly be illuminated in the images. Irrespective of which illumination is used in the scene, it can be characterized by such parameters as brightness "Multiplier", extinguishing "Decary", and shadow types "Shadow Map".

The following effects are used in the light sources while creating the illumination: "Volume Light", and Lens Effects.

While shooting some object's scene it is necessary to consider that object parameters should change along with time. The executive board group "Cameras" helps us in this process.

In the beginning the development of the idea and con-

cept of video-graphic reel based on the topic of the program is carried out, at the first stage of the work the scenario, visual aesthetics, and original idea is developed – all this is considered together with graphic design and video operators so that the idea would be practically implemented and the retrogression of self-objective of the idea would not occur because of limitation of existing technical opportunities and certain resources. After that the visual side of the idea and the “promo” appears.

At the second stage the shooting of video-material begins in specially created Green Room.



This is the room painted in green, where video-recording of presenters of TV programs and further cut-out of green color and applying of computer graphics takes place. First occurs the shooting by several HD format video camera, collection, processing of the material and its passing over to the computer graphic professional. Parallel to this, the work on dubbing and musical illustration is going on. Several variants of musical illustration are created by composer, which are afterwards recorded in special musical studio; following many discussions a number of corrections of this musical topic and formation of final variant takes place. After that the dubbing of the text takes place, which will afterwards be used in the promo of the program.

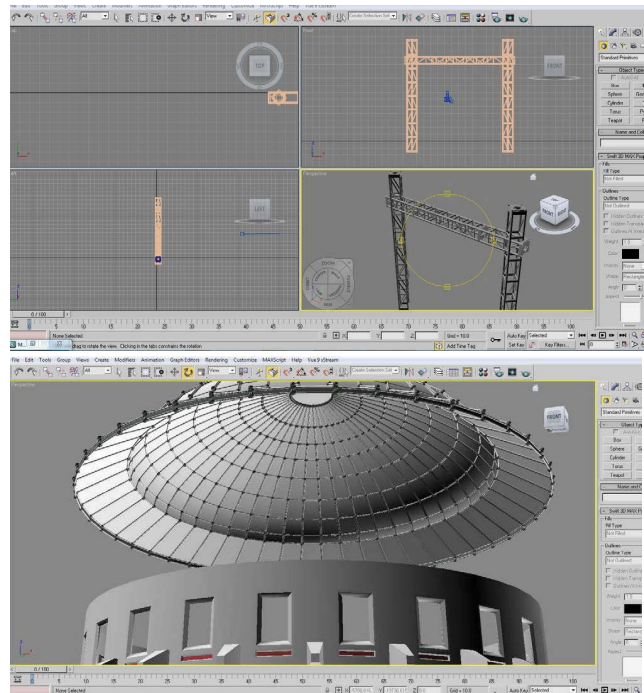
Work on the project, we create a 3D-environment space Scene. The simplest definition of a scene - a collection of objects in 3D-environment space (Timofeev S. 2012).

There are several ways to select objects in the scene generated. The most simple - selection by clicking - you probably already have mastered self (Timofeev S. 2012).

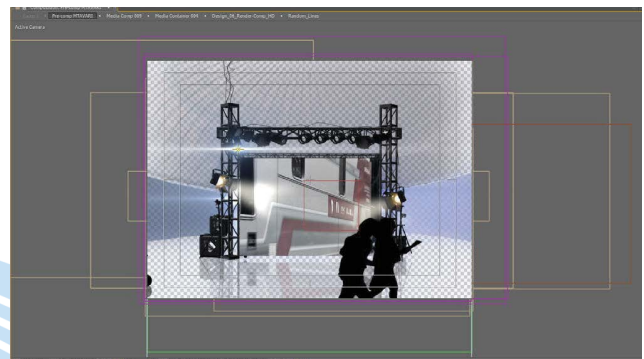
The use of such methods is called spline modeling and simulation lets you create lots of different forms (Timofeev S. 2012).

The following stages are: inserting into computer of shot material and video-montage by means of Adobe Premier CS5. The following stages take place during that: first of all, HD camera is connected with computer, where by means of Adobe Premier CS5 the inserting of video material occurs. Following the inserting of video material potentially the most appropriate takes are chosen, which occurs in accordance with the planned schedule. Also, special importance is attributed to temporal TV standard of the “Hat” program: 25-30 seconds. Considering all the above mentioned, the installed video material is ready for the next stage.

After that the modeling of 3D environment in the 3D Max program takes place. The task consists of creating the imitation of 3D TV studio of special design, where the action and modeling is being shot.



In this case, 3D Max - using the so-called The main materials are included with every parameter animation. Any object can be animated features - ranging from simple, light sources, cameras, ending with auxiliary facilities.



After the video material has been installed and musically illustrated in 3D Max, whose scenario is “rendered” and imported by the program Adobe After Effect, all this is united in a single final video reel and is given final form in the “Hat” program.



Creation of the TV video reel by means of 3D Max has been considered. Logical conclusions of the video reel are developed and the corresponding example is given.

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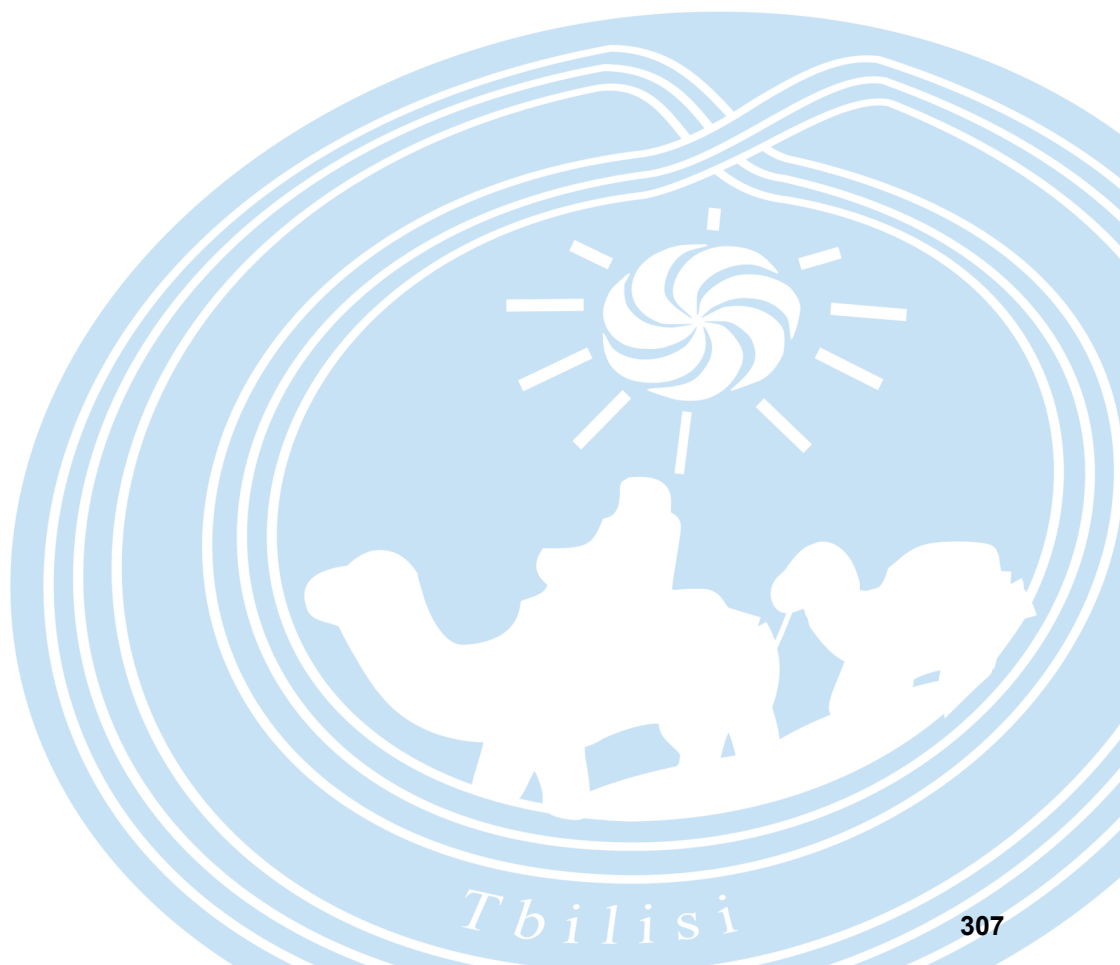
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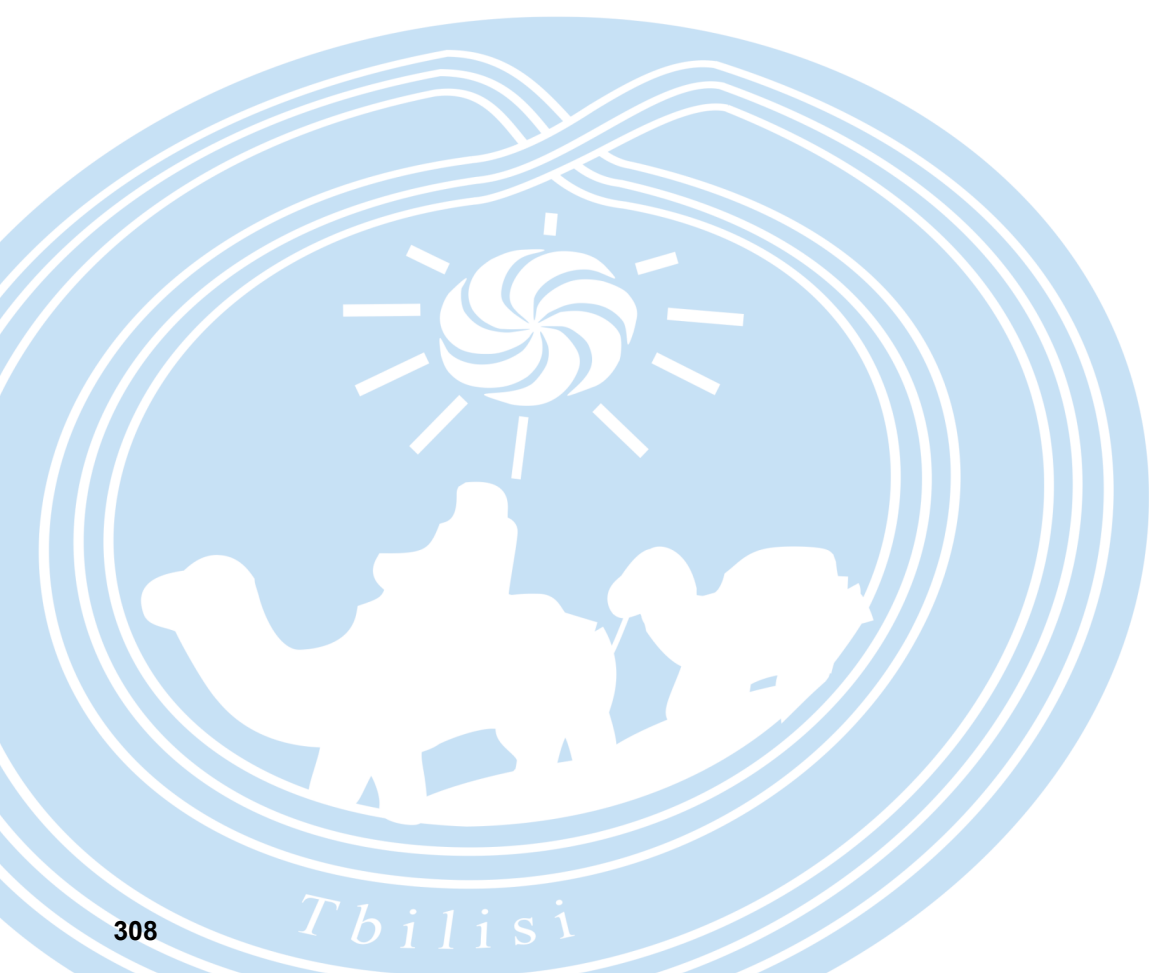
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Distributed Complex Network in the Field of Management of Modes of Power System

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Abstract

The article considers the developed distributed complex network (DCN-network) offers the knowledge base with fundamentally different design: macro-nodes of network contain database and machine of logical conclusions, while binding properties are placed on the arcs of networks. Such design excludes transitions from the machine of logical conclusion to the database. Therefore, it's possible to quickly and effectively process information, simulate complex processes and so on.

Keywords: distributed macro-network, production rules, macro-network, modes of power system, knowledge base

Introduction

Power system is a complex, multi-criterion system. Its management, modernization and advancement requires new techniques of management. Since precision of models of power system have grown, schemes of network have complicated and standards of quality of electric power have grown higher, it has become necessity to use new systems of management based on the expert knowledge in the field of power engineering.

In many fields, where analyzing and imitational models are necessary, priority and conflicting situations are very significant. For instance, such situations occur in the process of management of modes of energy system [1-2]. Power of traditional networks isn't enough to solve such problems. The article considers the distributed complex network as the way of solution of problems, such as effective management of modes of power system.

I. The main content

Complex network is developed for daily management of modes of energy system and includes following macro-nodes: "Input and check of initial data"; "modification and check of initial data"; "estimation of factors"; "determination of situation"; "calculations"; "estimation of mode"; "compari-

son of two modes"; "load of thermoelectric power station with power N^{\min} "; "liquidation of negative imbalances"; "load of thermoelectric power station with power N^{\max} ".

Macro-node includes macro-network or PCN-network. Macro-node "calculations" includes macro-network, which consists of three macro-nodes: "load of thermoelectric power station with power N^{\min} "; "liquidation of negative imbalances" and "load of thermoelectric power station with power N^{\max} ". All these macro-nodes include PCN-networks (priority-conflict network) [3].

Macro-node "input and check of initial data" performs the function of input of initial data and then checks the correctness of data. If all data is correct, then node of "dispatcher" begins to manage the system. Dispatcher may input the data again, change the initial data or begin calculations. Macro-node "modification and check of initial data" modifies the initial data and checks its correctness. After the change of initial data, node of dispatcher begins to manage the system again.

Macro-node "estimation of factors" estimates four main factors, which determine the present situation.

Macro-node "determination of situation" determines one situation from possible 16 situations. Select appropriate model, vector criterion and priorities of local criterions are

chosen.

Then we enter the node of “calculations”. This macro-node includes macro-network consisting of three macro-nodes. At first macro-node “load of thermoelectric power station with power N^{\max} ” is used. As a result, thermoelectric power N^{\max} station produces power N^{\max} daily. Then macro-node “liquidation of negative imbalances” is used. As a result, thermoelectric power station is loaded at every or certain hourx. If negative imbalances are liquidated, then we leave the macro-node “calculations”. In different case macro-nodes “load of thermoelectric power stations with power N ” and “liquidation of negative imbalances” are used and then we leave the macro-node “calculations” again. Such branching is made by “branching function”. After the calculations we have made. This mode is estimated by means of priority criterion and then dispatcher begins to manage the system. Dispatcher chooses the result, inputs the initial data or modifies the initial data.

If the second, the third or other results, were generated, then after the estimation the last result is chosen or the last result is compared with the best from previous results. Such branching is made by node “branching function”. This node chooses one from two branches with the following principle: if the first mode is generated, then after its estimation dispatcher begins to manage the system. If the second, the third or other mode is generated, then after its estimation this mode is compared with previous modes and the best mode is chosen.

Macro-node “comparison of two modes” compares two modes and chooses the better mode from them. Afterwards, dispatcher begins to manage the system. Dispatcher chooses the recommended result, inputs the initial data or modifies the initial data.

Knowledge base includes seven set of rules [4]. The following rules are non-contradictory and non-surplus: data control; determination of factors; estimation of situation; selection of model and vector criterion; determination of structure of advantages; solution of vector problem of mathematical programming; estimation of mode; comparison of modes and selection of the best mode. Such knowledge base significantly quickens the process of finding of necessary rule and correspondingly, expert system works more efficientl .

The source of knowledge about multi-criterion system is knowledge of expert. Production model is used for presentation of knowledge. Rules have “**IF..THEN**” form. “**IF**” part of rule includes precondition, which may include one or several conditions. “**THEN**” part of rule includes action, which may include one or several conclusions. “**IF**” and “**THEN**” parts of rule may include And and/or Or functions. These functions are similar to Boolean functions **AND** and **OR**. “**IF**” part of rule may include two or more conditions, which may be inter-related by means of And and/or Or functions. We designate function And with symbol \wedge and Or function with symbol \vee .

Each rule is independent fragment of knowledge about managed object. “**IF**” part of rule includes all conditions of usage of this rule.

As mentioned above, knowledge base includes production rules and facts. Facts are permanent or dynamic. Dynamics of particular fact at the given day depends on the initial information. Knowledge base includes the following facts:

- Consumption of electric power is higher at the peak hours;
- In the spring rivers have abundance of water;

- In the winter rivers are shallow;
- Consumption of electric power is lower at the night hours;
- Consumption of electric power is higher in the winter;
- Consumption of electric power is lower in the summer;
- Regulation of Enguri is extremely easy;
- ...
- Management of thermoelectric power stations is slow.

In the process of exploitation of expert system rules are specified and contradictions are eradicated

Fragment of set of production rules of control of initial data has the following form:

IF maximal power of hydroelectric power station is lower than minimal power, **THEN** minimal and maximal powers are corrected.

IF hourly power is higher than maximal power, **THEN** hourly power is corrected.

IF maximal power of hydroelectric power station is equal to zero, then the station is turned off during day and night.

...
IF hourly quantity of aggregates of thermoelectric power station is more than maximal or less than minimal, **THEN** hourly quantity of aggregates is corrected.

Fragment of set of production rules of determination of the basic factors has the following form:

IF $\Psi < 0$, **THEN** the mode is deficient

IF $Q > 24 \times t_{\max}$, Q **THEN** hydroelectric power station has the abundance of water.

Here $\Psi < 0$ is system disbalance, Q - planned water expenditure at the given hydroelectric power station at the given day, Q_1^{\max} - maximal water expenditure at the given hydroelectric power station at hour t .

Fragment of production rules of determination of situation has the following form:

IF $Ex(\overline{u_1}) \wedge Ex(\overline{u_2}) \wedge Ex(\overline{u_3}) \wedge Ex(\overline{u_4})$, **THEN** $Ex(s_1)$

...

IF $Ex(u_1) \wedge Ex(u_2) \wedge Ex(u_3) \wedge Ex(u_4)$, **THEN** $Ex(s_{16})$

Here **Ex** is predicate of presence, $\overline{u_1}$ signifies that power consumption is high, $\overline{u_2}$ - power consumption isn't high, $\overline{u_3}$ - hydroelectric power stations have the abundance of water, $\overline{u_4}$ - hydroelectric power stations have the shortage of water, $\overline{u_5}$ - thermoelectric power stations have the abundance of fuel, $\overline{u_6}$ - thermoelectric power stations have the shortage of fuel, $\overline{u_7}$ - water system has the demand on water, $\overline{u_8}$ - water system has no demand on water. $Ex(u_1)$ signifies presence of factor u_1 .

Production rules of determination of design of advantages has the following form:

IF $Ex(F_{11}^l(X))$, **THEN** $Pr(f_1(X), f_2(X))$

Here **Pr** is predicate, which determines the priorities,

$F_{11}^l(X)$ - vector criterion, $f_1(X)$ - criterion of minimization of disbalances of power system, $f_2(X)$ - local criterion of maximization of generation of hydroelectric power station.

Production rule of selection of model and vector criterion has the following form:

IF $Ex(s^l)$, **THEN** $Ch(Z_1^l, F_{11}^l(X))$

Here s^l is the first situation, Ch - predicate of selection. $Ch(Z_1^l, F_{11}^l(X))$ signifies that model and vector criterion $F_{11}^l(X)$ are selected.

Fragment of set of production rules of solution of vector problem of mathematical programming has the following form:

$IF\ Ex(s1),\ THEN\ Wo(1)$
 \dots
 $IF\ Ex(s16),\ THEN\ Wo(16)$

$Wo(1)$ signifies that the first algorithm begins to operate.

IF hydroelectric power station has the shallow water, **THEN** at first it covers the peak component of load graph and then covers the other components of the same graph.

IF we have peak hour, **THEN** all hydroelectric power stations are working at full load.

IF hydroelectric power station has the abundance of water, **THEN** (hydroelectric power station works at full load in every hour) \wedge (hydroelectric power stations doesn't participate in regulation)

IF complex of hydraulic engineering demands water, **THEN** (demand for water is satisfied) \vee (demand for water isn't satisfied)

...

IF demand of complex of hydraulic engineering is satisfied, **THEN** water flow is minimized at hydroelectric power station.

Predicate Ge signifies "generation". For example, $Ge(RR)(Y_{11}^{16}(X))$ signifies generation of the result $Y_{11}^{16}(X)$. RR is a single-argument function of generation of result.

Conclusion

The article offers distributed complex network for the management of modes of power system. Each macro-node of such network may include macro-network of PCN-network. The article offers fragment of knowledge base for the following seven set of rules: control of initial data; determination of factors; estimation of situation; selection of model and vector criterion; determination of structure of advantages; solution of vector problem of mathematical programming; estimation of mode; comparison of modes and selection of the best mode. Such knowledge base significantly quickens the process of finding of necessary rule and correspondingly, expert system works more efficiently.

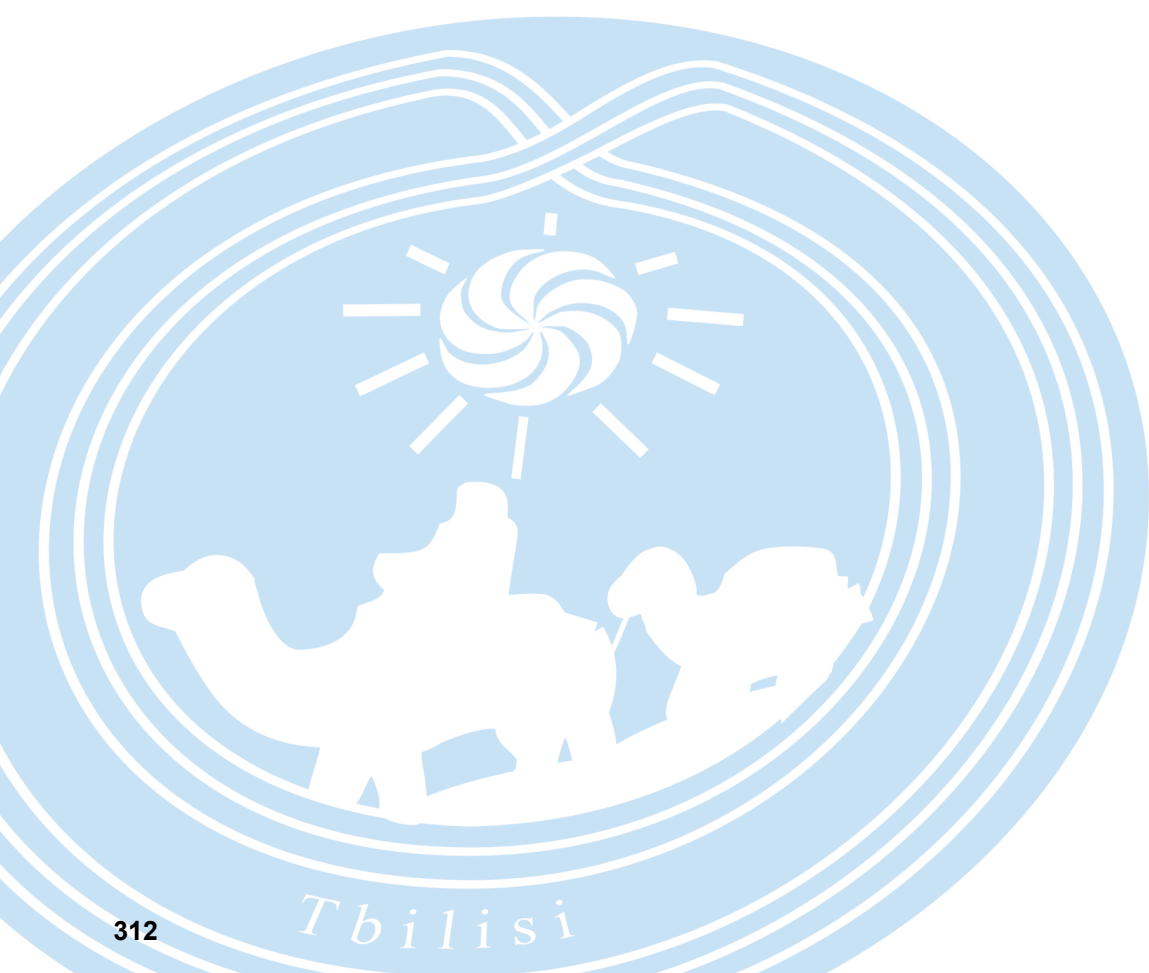
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The Role of Information Technology on Hospitality Management

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Abstract

Information Systems has gained importance in today's constantly changing business environment as well as in hospitality industry. IT has to be used intensively in hospitality industry to collect internal information about organization, customers, competitors and other environmental factors and satisfy its transmission to their employees. This study aims to identify the presence of the information technologies in city and resort hotels and the attitudes of hotels towards IT. The results show that there is a competitive environment in Bosnian marketplace for the target hotels, they are observed to have necessary basic ICT infrastructure, hotel management with use of ICT is identified to be high and hotels seem to have increased their benefits as a result of proper hotel management. It can be suggested that the competition in the market forces hotels improve their proper management through the use of necessary information and communication technology tools. Therefore, hotels decide to implement the needed technology and gain benefits

Keywords: Information Technology, Hospitality Management. Competitive Advantage

Introduction

Hospitality management refers to management of hotels, restaurants, travel agencies, and other institutions in the hospitality industry. This study considers the hotel management in terms of hotel management. The role of Information Systems (IS) has gained importance in today's constantly growing competition arena. Every organization implements an IS specific to its operations and services. IT has to be used intensively in hospitality industry to collect internal information about organization, customers, competitors and other environmental factors. These data have to be transmitted to their employees, in order to run daily operations more effectively and productively.

The purpose of this study is to identify the presence of the information technologies in city and resort hotels and the attitudes of hotels towards the existing technologies in Bosnia and Herzegovina. Based on literature review about the sustainable IT-enabled competitive advantage, this article also provides a framework that can help both hospitality scholars and managers formally analyze existing and proposed IT-dependent strategic initiatives.

The data were collected by conducting a questionnaire in ten different BiH hotels. According to the gathered data, the developed research model components were analyzed descriptively.

Consequently, the conclusions and implications of the study for research and practice are provided.

I. Literature Review

Sirirak, Islam and Khang (2011) aimed to explore the influence of information and communication technology (ICT) adoption on hotel performance in Thailand. Their elements for measuring the level of ICT adoption are availability of ICT components, integration of ICT components, and intensity of ICT usage. In order to measure hotel performance, they used operational productivity and customer satisfaction. They collected data only from three-star hotels in the same location (Phuket, Thailand) for controlling the influence of place and workforce and management qualities on hotel productivity. Operational productivity was calculated by using data envelopment analysis. They used a five-point Likert scale to measure hotel performance in terms of customer satisfaction. Their results show that (1) ICT adoption has an important positive relationship with hotel performance, (2) ICT adoption influences operational productivity more than customer satisfaction within three-star hotels, and (3) ICT obtainability and ICT incorporation have a significant positive relationship only with operational productivity, while the intensity of ICT usage has a major, positive relationship with both operational productivity and customer satisfaction. They suggest that the hotel industry should be promoted by providing critical information to management in deciding on the areas in which ICT should be adopted. They suggest that it also gives valuable information to ICT marketing staffs.

Berezina's (2010) paper aimed to explore the main problems and solutions that the hotel industry experts face during the Payment Card Industry Data Security Standards (PCI DSS) compliance process. Their paper assists to understand the problems in the PCI compliance process

within the hotel industry that supplies a basis for developing strategies and methods to focus those issues in the future. Her study presents an exploratory study using a two-stage design. The first stage was designed by using the Delphi technique to identify the issues that happen in the PCI compliance process in hotels. After analyzing the results of the first stage, a list of PCI issues was compiled and integrated in the web hosted questionnaire. The executives who took part in the second stage provided their assessment of the importance of the identified PCI compliance issues. It was observed that Hotel executives faced 20 PCI compliance subjects during the first stage of the study and the second stage presented high-financial cost of implementing and maintaining, lack of qualified staff, inadequate staff training, uncertain terms in PCI DSS language, and shortage of vendors' support and compliance to be the top five issues in PCI compliance in hotels. Her paper provided a valuable insight into the issues regarding the hotel industry during the PCI compliance process. In her paper, the identified problems about PCI compliance need to be addressed to make the process more efficient and effective.

In spite of the certain importance of organizational innovation and periods of academic research on the subject, Tajeddini and Trueman's (2014) study showed that the agreement is only on what innovativeness is or how to bring successful innovation into practice. They used ad hoc manner to understand the difference between the theory and practice, which limits the potential for innovation to provide a competitive advantage. Their research aims to explore opinions of innovativeness from the viewpoint of top managers in the hotel industry from a sample of 11 high-class hotels situated in the developing country of Iran. They will use a stratified purposeful sampling method, in which they will interview with senior executives and proprietors in-depth over a five month period. They will extract Meaning units (MUs), which are compared and discussed with the interviewees until they come a basic agreement of terms. Their findings connected to themes such as Leavitt's diamond of task, structure, people and technology which including quite strongly in a number of replies. It reflects how top managers and owners notice that innovativeness can gain a competitive advantage by distinguishing one hotel from another; and the role of national culture in developing that advantage. The study implied that a strong relationship with government and local business stakeholders could support innovativeness at local and regional level. Their paper aimed to contribute to the understanding of some important drivers of innovativeness in the context of the hotel industry in a developing country.

Mohammad, Rashid and Tahir (2013) aimed specifically to investigate the relationship between CRM dimensions (i.e. customer orientation, CRM organization, knowledge management, and technology based CRM) and numerous sides of organization performance by collecting data came from the managers of 152 Malaysian hotels (3 to 5 star) (i.e. financial, customer, internal process, and learning and growth) in some selected Malaysian hotels. They found that all dimensions of CRM (i.e. customer orientation, CRM organization, knowledge management and technology based CRM) have a positive and vital influence on different viewpoints of hotel performance. However, they couldn't find a significant relationship between CRM technology and learning and growth perspective of hotel performance. Their limitation was concentrating just on 3 to 5 star hotels. They considered that building an extensive and effective CRM dimensions in hotel firms is necessary for a high competition and improving performance in Malaysia hotel sector.

In Guzel and Demir's (2008) paper they asserted that utilizing the computer technologies with telecommunication, the recent developments in the field of microelectronics caused considerable changes in communication in today's

enlarging competition field. Some production of data, which are storage, verification and transmission, providing by Information Technologies (IT) are also significant for the tourism industry. In this study they aimed to identify some parts of the information technologies used by city and resort hotels, their usage areas, and the attitudes of hotels towards IT. Their study concluded that the 5-star resort hotels in Antalya had more differences compared to the hotels in İstanbul with respect to the usage of IT. These differences appeared either nonexistence for most of the IT or rare applications of it.

In Milovic's (2012) study, he said that development of information and communication technology (ICT) has enabled the growth of electronic customer relationship management (eCRM) as a business strategy. Using eCRM on internet is suggested for developing the capacity and enabling hotels to involve guests in the strong, personalized and mutually beneficial interactive relationship. Internet development has enabled the rapid progress of hotel industry. His article showed us how hotel managers utilize eCRM tactic to promote the hotel, more specifically, how much impact websites, social media and e-mail marketing campaigns have on hotel promotion and business performance. He concluded his study that the development of the Internet and the continuous improvement of technology, CRM has entered a new era of development.

Law, Lung and Buhallis' (2009) study was on the articles that were published in 57 tourism and hospitality research journals between 2005 and 2007. Their article proved that IT is increasingly becoming critical for the competitive operations of the tourism and hospitality organizations as well as for managing the distribution and marketing of organizations on an international scale. They used content analysis to examine articles that were published by major tourism and hospitality journals. Their article evaluated the development of IT practice in the tourism and hospitality industries in the past few years and enables its readers generally, and especially tourism and hospitality managers, to understand well the latest research results and some of the best managerial applications of IT in the field

Boon and Rompho's (2012) study aimed to focus on hotel service quality using 29 characteristic indicators from the SERVQUAL model by comparing the boutique and the business hotel, in Thailand and to comprehend the differences between expectation and perception. In their study a total of 108 usable questionnaires were analyzed. According to the analysis, the service quality of hotels in Thailand was reasonably low. The customer expects more services from the boutique hotels than the business hotels as well. Regarding their research they claimed to be the pioneer study of hotel service quality in Thailand. So they think that their detailed study contributes to the literature to understand deeply the hotel service quality in different types of hotel, as well as providing an opportunity for a comparison with other studies conducted previously in different parts of the world.

Luck and Lancaster's (2013) paper aimed to identify how marketing/customer relationship management (CRM) can be a strategic solution to hotel companies or part of their tactics. They discussed and analyzed secondary data from academic and news sources together with empirical data collected previously by the first author while she was doing her own doctoral research. As a result of their study they found that the essence of a customer-focused environment is a preliminary indication of how the hotel industry can truly benefit from a strategic and focused approach to CRM. They agreed that the success of a strategy depends on the ability of a company to identify and understand what its target customers genuinely need and want and the company's ability to deliver improved value. They proposed that hotel companies must not only identify what their target customers really

seek, but that they should also make sure that they themselves understand the dynamics of CRM as a strategy. They have concluded that hotel companies should decide to focus on customer acquisition, customer retention or customer account development associated with CRM.

Ip, Leung and Law's (2011) study aimed to improve operational efficiency, increase service quality, reduce costs, understand what has been done and how ICTs have performed in the past and are performing in the present, assist practitioners who are in the hospitality industry have widely adopted and implemented information and communication technologies (ICTs) in their businesses and researchers in identifying research gaps and formulating future plans. They used content analysis to analyze ICT-related research articles that were published in the period 1999-2008. The research focuses on all selected articles were in suppliers' perspectives. Their results showed that they formed seven dimensions after content analysis which included human resources and training, security, reservation, revenue management, marketing, guest services, as well as strategic and operational management. In this paper, suppliers refer to the providers of hospitality services. Their study's major limitation is the presence of only eight leading journals. However, results should be helpful to researchers and practitioners to understand diverse ICT applications in the hospitality industry.

The aim of Blighan, Okumus, Nusair and Joon-Wuk Kwun's (2011) paper was to propose a conceptual framework that demonstrates how much competitive advantage can be seen using information technology in hotel industries (IT). Their study was carried out according to a synthesis of previous literature in this area. As a result of their study they said that manifold areas require to be carefully assessed in developing and implementing IT projects. In their paper they claimed that hotel companies' IT investment decisions must be selective about and see each IT investment from the strategic management viewpoint. About their study they asserted that is one of the first articles in the hospitality field. It also offers numerous theoretical and practical implications.

Cristea (2009) thought that around the world either at microeconomic or macroeconomic level countries should provide high quality tourist services. Despite the standards and the management quality system support these methods, the quality of services in the hospitality industry are limited because of not allowing national level quality insurance. He advised that the new system should have the total amount of criteria, the methods of the assessment, the designation of the institutions to be involved in the implementation of the system, the improvement of the system, as well as designating the staff that will evaluate the results and create the correcting measures, the methodological norms of stars classification based on quality elements on one side and the implementation by the Ministry of Tourism of the good practice standards, the quality of services and the staff behavior, in view of increasing the hotel services' quality and food industry in Romania.

The aim of Ezulike's (2012) research was to discuss how to motivate people who work in information technology (IT) as well as see ways that companies can keep their main personnel. His approach to the study is to describe retention and reward strategy for information-technology experts. His study detailed the importance of having a clear job specification, proper business planning, the possibility of flexible working, an effective training and development policy, staff surveys and exit interviews. His paper emphasized that whatever IT specialists should do well that their input is recognized, valued and rewarded. Any economic situation IT specialists remains optimistic.

Ruiz-Molina, Gil-Saura and Moliner-Velaguetz (2011) said that the hospital industry has been definitely contributed by Information and communication technologies (ICTs). In their paper they claimed that hotels have widely adopted computers and the Internet for their in and out works in Spain. Some ICT solutions are common in hotels regardless of their category. Their study identified the most discriminating ICT solutions across 3-, 4-, and 5-star hotels which implement digital technology, loyalty programs, and ambient intelligence are some of the most differentiating technologies to improve the perceived quality of their processes and services. They analyzed the use of ICTs by Spanish hotels and to evaluate its role as a differentiation instrument, conducted a personal survey of managers, interviewed two hundred hotels and sample details are provided in.

Demeke and Olden (2012) aimed to analyze the difficulties which they met when researching the adoption of information and communications technology (ICT) by small hotels in Addis Ababa, Ethiopia as well as to indicate how to solve some of these problems. In their study they defined the background and theoretical framework of the research project and analyzed the research difficulties in the context of the literature and of experience elsewhere in Africa. They concluded their paper by saying it is essential to understand the political, economic and cultural context to succeed a successful research project in Ethiopia and same factors are likely to have a major influence on the diffusion of ICT within the country. In their paper they explained that unlike Tanzania, Kenya and much of the rest of Africa, Ethiopian case study is of particular interest because the country's telecommunications industry is controlled by government, a broadband connection is very expensive, and few Ethiopians use the internet.

II. Research Methodology

The proposed framework includes four constructs (Table 1). The constructs are determined by 21 questions in the survey.

Table 1: Determined constructs

Variables	Explanation
ICT	Used technical tools to facilitate organizational processes
Competitive Environment	The external forcing environment to be competitive
Hotel Management	All managerial processes in a Hotel
Organizational Benefits	Obtained final gains

As understood from the model (Figure 1), (a) "Competitive Environment" positively affects both "Hotel IS" and "Hotel Management", (b) "Hotel IS" enhances "Hotel Management", and (c) enhanced "Hotel Management" provides "Organizational Benefits". The model is set in order to structure the idea. Therefore, this study does not aim to measure the fit of the model

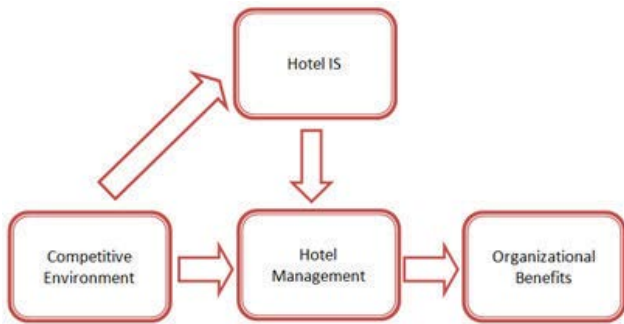


Figure 1 : Research Model

III. Survey Sample

For the measurement of the determined variables, a 7-point Likert scale survey was developed and distributed to several BiH hotels. At the end, 199 respondents from eight different regions and from ten different hotels completed the survey (Table 2). From Sarajevo, three different hotels participated to the survey. Almost half of the respondents are identified to be from Sarajevo

Table 2: City/Canton for Respondents

City/Canton	Frequency	Percent
Doboj	10	5.0
Gracanica	20	10.1
Lukavac	4	2.0
Sarajevo	99	49.7
Srebrenik	7	3.5
Tuzla	39	19.6
Zenica	5	2.5
Živinice	15	7.5
Total	199	100.0

The survey is responded by males more than females. The range of respondents' ages varies between 20 and 60. There appears a relatively young sample space.

IV. Descriptive Analysis

In this section, the survey items, section by section, are descriptively analyzed.

ICT Level

According to the results, the hotels seem to have a satisfactory level of ICT tools to facilitate their works (Table 5). It is observed that they can track, analyze, and continue their relationships with their customers.

Table 5: ICT Level

Measurement Items	Agreement Level
My hotel has basic information system to facilitate the flow of information within the hotel environment.	5,15
We have an information system to easily track our customer.	5,08
We can analyze our customer's behaviors by using our information system.	5,40
We have an information system to be able to contact with external stakeholders and suppliers.	5,32

Competitive Environment

As understood from Table 6, there is no fierce competition in the market. But the competitors' activities (e.g. use of different instruments to increase their market share and agreements with agencies) and customer expectations (high quality service) are forcing the hotels be competitive.

Table 6: Competitive Environment

Measurement Items	Agreement Level
There is an extreme competitive environment in the hotel market.	4,95
My competitors (the other hotels) are using many instruments to have a market share.	5,26
The customers expect high quality service.	5,47
My competitors have some agreements with many agencies to achieve higher earnings.	5,43

ICT Usage in Hotel Management

According to Table 7, the statements are observed to be agreed by the respondents. They believe that ICT enables proper management of the hotels, increases controlling their work, enhances information flow inside the hotel, and increases the integration of work.

Table 7: ICT Usage in Hotel Management

Measurement Items	Agreement Level
We can easily manage the hotel by using ICT.	5,46
We can easily control our work by using ICT.	5,56
ICT enables the flow of information within the hotel.	5,64
ICT improves the arrangement of the work within the hotel.	5,75
ICT facilities the integration of the work.	5,74

Organizational Benefits

The survey results identified that the proper hotel management brings benefits to the organizations as it can be seen from Table 8.

Table 8: Organizational Benefit

Measurement Items	Agreement Level
We can better plan the work within the hotel.	5,45
We can easily schedule rooms through proper hotel management.	5,59
We can control our costs through proper hotel management.	5,63
Proper hotel management increases our competitiveness.	5,69
We can easily manage our marketing activities.	5,71
We can improve our relations with the customers.	5,82
We can offer high quality service.	5,91
We can achieve loyal customers.	5,96

Conclusion

Table 9 summarizes the variables in general. The respondents are mainly agreed with the study. According to the results, it is observed that there is a competitive environment in Bosnian marketplace for the subject hotels, they seem to have necessary basic ICT infrastructure, hotel management with use of ICT is high and hotels seem to have increased their benefits as a result of proper hotel management

Table 9: Overall Variables

Variables	Mean
ICT	5.23
Competitive Environment	5.27
Hotel Management	5.63
Organizational Benefits	5.71

We may suggest that the competition in the market forces hotels improving their proper management through the use of necessary information and communication technology tools. Therefore, hotels decide to implement the needed technology and gain benefits. It is quite important that the hotels should be aware of the type of competition outside and implement the necessary technology accordingly. This technology should be useful for proper management of hotels too. Hence, the benefits may be expected. This study is limited in that it analyzes some of the hotels in Bosnia. Further studies may include wider range of data in order to have a more representative picture.

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Adaptation of SAP Business-One software for Georgian manufacturing management systems' automation tasks

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Abstract

For improving the management systems of Georgian enterprises it is necessary to implement proven approaches and decision-making methods of leading countries in the local context. These processes are desirable to carry out not only in large enterprises, but also in medium and small business. All this will contribute to establish of full-fledged partnerships with foreign partners and increase foreign investments.

The Georgian Technical University implemented SAP Business Suite software, constituent part of the training spheres of SAP University Alliance. The software is used for creating management systems of large enterprises in various branches of industry, including automotive manufacturing, banking area, electronics, government, healthcare, power engineering, service sphere, higher education, science, etc.

SAP computer system includes also optimized software - SAP Business One – for small and medium businesses. The price of this software is much lesser than price of SAP Business Suite, which is intended for large companies. So SAP Business One software is more useful for Georgian manufacturing.

SAP Business One gives an opportunity for optimizing of business processes, gathering various business functions, such as finance, personnel, etc. The software provides company's steady and smooth running, operates in real time mode, it is large-scaled and flexible software system

All these advantages are intended to help managers in gaining maximum efficiency from their activities, creating reliable tools for controlling financial stability of enterprises

For popularization SAP Business One software in Georgian business spheres we worked out appendixes, additions, and questionnaires concerning to Business One software; these facilities will help managers of local enterprises to familiarize with the software.

Keywords: SAP, manufacturing, management system automation

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The SAP Business One software starter package is a version of this industry-proven application which captures the best features for small businesses at a reduced price. Being available through SAP channel partners, the starter package is a preconfigured solution for up to five software users, which usually can be implemented at a fixed price. It's tailored to the needs of a small business and, depending on the scope of the project, allows you to get up and running in

3 to 10 days.

The starter package covers basic accounting, financial, sales, customer relationship management, purchasing, and inventory processes. And if your business needs change, you can upgrade starter package to the full version of SAP Business One. For this you have not to buy new software, disrupt operations, or change formatting of your data; you simply import your new licenses, and are able to run the software with extended functionality. The starter package is ideal for growing companies which need more than standard accounting software, are limited by spreadsheets or nonintegrated business software, and want to realize the efficiency, visibility, or control that a fully integrated business management solution is delivering.

The software meets the following business challenges:

- Growing business needs with an integrated affordable business management software solution
- Accessing the right information to make key decisions
- Minimization of duplicate data entries, errors, and delays
- Building and maintaining closer customer relationships
- Optimization of cash flow for business need

Key features of the software are:

- Accounting and financials — managing general ledger, journals, and accounts payable and receivable
- Sales and customer relationship management — tracking sales opportunities from the first contact to the end of sale, as well as managing and maintaining customer contacts
- Purchasing and vendor relationship management — managing the complete order-to-pay cycle, including receipts, invoices, and returns
- Inventory and distribution — managing inventory and operations including delivery and billing
- Reporting and administration — accessing critical business information to generate timely and accurate reports

Business Benefit

- Streamline business processes and ensure of efficient and effective operations
- Meet core business needs in a single, integrated software solution that can be expanded as your business grows
- Achieve greater peace of mind knowing your business is being supported by SAP
- Gain faster time to value by using software that can be implemented quickly at a fixed price, requires little maintenance, and minimizes end-user training
- Maximize your return on investment by beginning with the starter package and upgrading to the extended functionality if needed

The SAP Business ONE system provides better information in real time. Therefore, it helps to minimize the risk involved with the daily decisions the entrepreneur or busi-

ness owner has to make. In the SAP Business ONE solution all of the business information is collected in a single system of integrated financial skeleton without the need for synchronization or re-entering, which will be the basis for our reporting. In today's digital age, it is easy to collect too much information. This often leads to data graves with information that cannot be used. It is therefore important to collect the right information for analysis. The SAP Business ONE system provides reporting tools that collect the right information for the following areas:

- Financial reporting based on legal requirements
- Business management reporting
- Compliance requirements.

SAP Business One software has the following principal advantages:

- **High productivity.** User-friendly interface helps to work quickly and efficiently .
- **Quick and qualitative business decision making.** Executives can select the best solutions in-time, quickly and efficiently obtain strategic information on all aspects of the enterprise.
- **Proven ability of scaling.** Flexible and open technology allows you to modify and adapt the system to your growing business.
- **Global approach.** Providing an ability of conducting business operations and making reports in different currencies.
- **Cost control.** Ultimate cost control provides higher employee productivity, better communications with suppliers, and increasing operations efficiency .
- **Rise of income.** Fast and convenient access to operating data in any point of system helps to define new opportunities of sale, quick delivering of new products to the market, and providing of high level of services and clients support.
- **Control of sales opportunities.** This option provides companies with powerful control tool for managing sales opportunities in combination with gross profit and inventory data.

SAP Business One software is a good proposition for Georgian small and medium businesses. Companies get not only software but also ready-made business processes which are based on "best practices", i.e. effective business oriented template tooling provided by SAP System. It's also important, that prices for ordering those processes to special consultants are much higher than purchasing SAP Business One software. So SAP Business One gives business qualitative and effective business processes and computer support for their automation. In many cases it is much easier to switch over company's activity to SAP business processes than to create a new appropriate software, as SAP System is very flexible and well adaptable to a company's specific - tions.

The standard process of management system implementation consists of the following stages:

1. Analyzing of an enterprise's activity;
2. Working out of automation strategy;

3. Choosing the right system.
4. Reorganization of activity.
5. Implementation the system.
6. Utilization (exploitation and maintenance).

The Georgian Technical University implemented SAP Business Suite learning software, as a constituent part of the training spheres of SAP University Alliance. The software is used for creating management systems of large enterprises in various branches of industry, including automotive manufacturing, banking area, modern technologies, electronics, government, healthcare, power engineering, logistics, service sphere, higher education, science, etc.

SAP computer system has also optimized software - SAP Business One – for small and medium businesses. The price of this software is much lesser than price of SAP Business Suite, which is intended for large companies. SAP Business One software is more useful for Georgian manufacturing. We think that it needs essential popularization within business spheres.

SAP Business One gives an opportunity for optimizing of business processes, gathering various business functions, such as finances (accounting, management accounting, stock management, etc.), personnel (human recourse management, labor remuneration, social maintenance, etc.), logistics (distribution, purchasing, production scheduling, etc.). The software provides steady and smooth running of a company, operates in real time mode, it is expanding, large-scaled, and flexible software system

For popularization SAP Business One software in Georgian business spheres we worked out appendixes, additions, and questionnaires concerning to Business One software; these facilities will help managers of local enterprises to familiarize with the software.

At the Georgian Technical University Department of the Management of Production Innovations and Operations has developed a questionnaire with a glance of local conditions and sent it to small and medium business companies of the Akhmeta municipality. The questionnaire consists of the following:

1. Name of the firm
2. Data of founders of the firm. One person of one sphere.
3. Name of sphere (ovine wool, worsted, tobacco, etc.)
4. Functional load of each founder (responsibilities: production, sales, financial accounting)
5. Organizational structure (in what village is intended to organize manufacturing (name and region center) with sphere indication).
6. Number of employees with sphere indication and according to functional load (without personal names).
7. Raw materials needed for manufacturing with sphere indication.
8. Name of end product, estimated quantity (kg., liter, piece, etc.) with sphere indication.
9. Prospective market with sphere indication (country, firm)

10. Vendor of raw materials with sphere indication (village, manufacturer, equipment manufacturing company, leasing company/person).

11. Possible financial sources for various needs – raw materials, equipment, leasing, other expenditures.

This questionnaire may be used as a pattern by business companies in other regions. In the future together with the Ministry of Regional Development we intend to send such a questionnaire to other local governments, municipalities, firms, and organizations, taking into account peculiarities of each of these bodies.

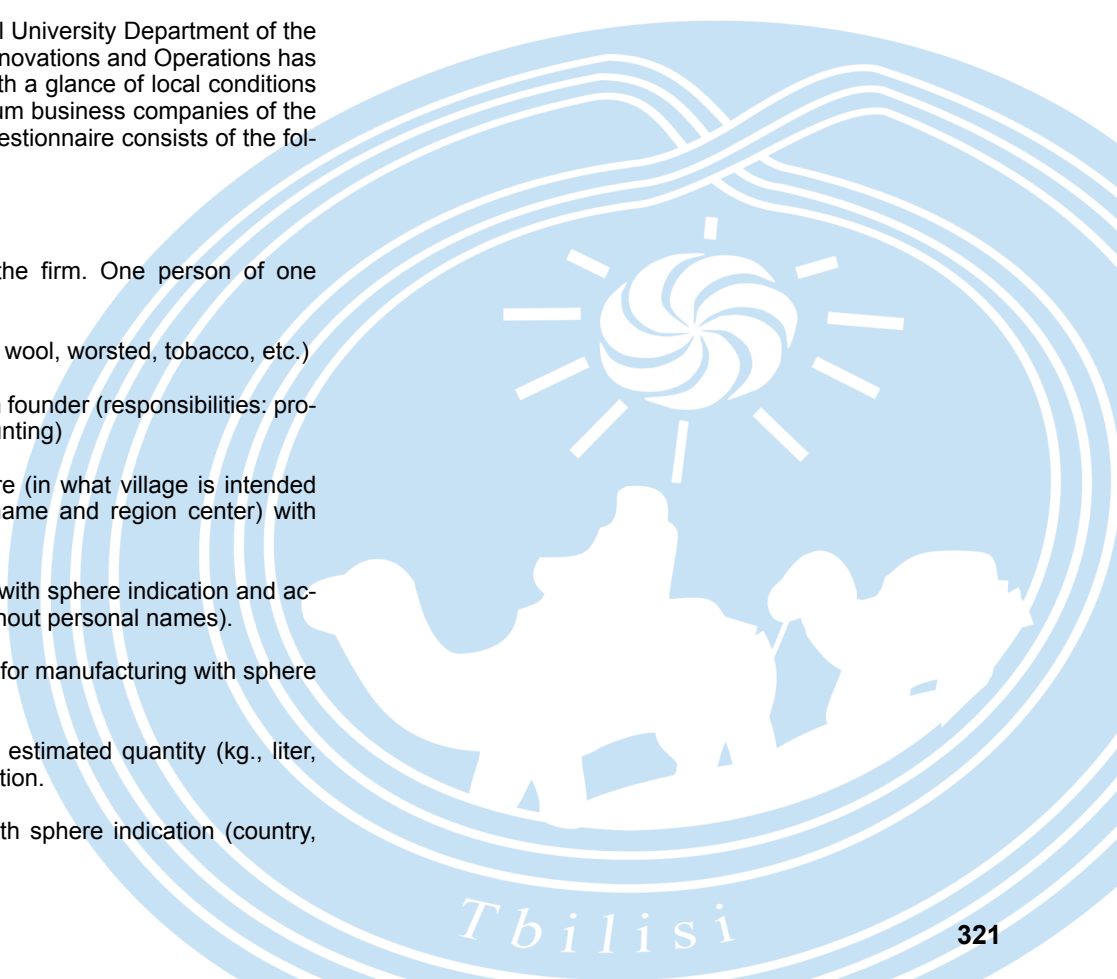
After analyzing the questionnaire responses we'll be able to develop recommendations and suggestions to interested parties for the purpose of improvement their activities.

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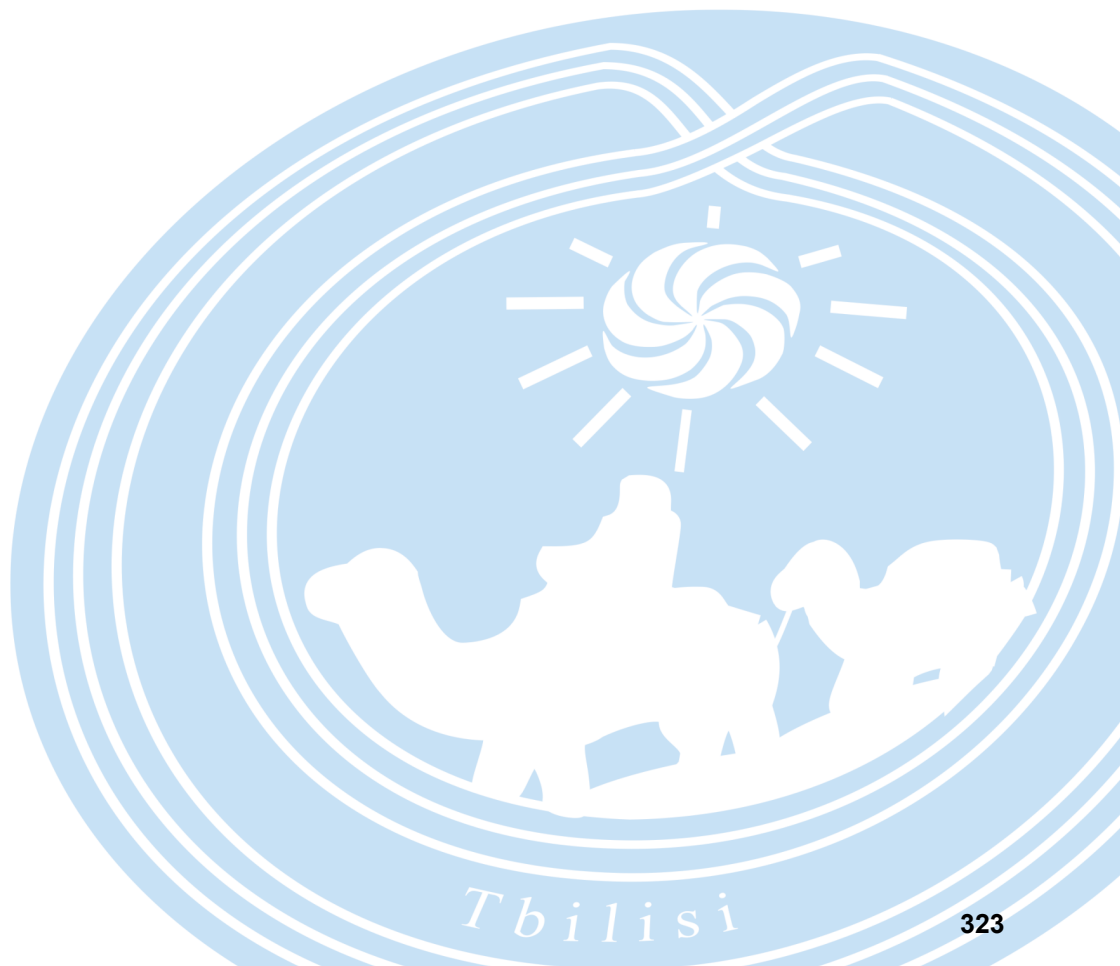
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International Relations



International Relations

“Secularism Lost, Secularism Regained” Secularization in the Practice of Cultural Islam

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Abstract

The article is set out to examine the content and the reasons of observable changes in Turkey in regard of the secularization of the practicing Muslims within the realms of politics, political economy, public codes, ethical and legal factors. It is of significance since the literature is mainly focused upon the de-secularization of Turkish political system in recent years and this process was named as “Malaysianisation”. Among these debates, secularization of the practicing Muslim has emerged on the stage that is just in contrast to what has been imagined as an expected change. The change in the extent / dimension / perception of piety (in the concept of secularization of the practicing Muslims) can be observed under the embracing framework and sometimes overlapping umbrella of globalization and capitalism whose effects can be demonstrated in the domains of daily life practices, finance and entrepreneurship, commodification (fashion), political agendas of Islamist parties, pious people’s perspectives on what is secular and western through which the practicing Muslim adapts what Turner calls “Performative Reflexivity” and re-interpret and re-produce the way they practice Islam.

Keywords: Secularization, Muslim, political economy, globalization, capitalism

Introduction

The article is set out to examine the content and the reasons of observable changes in Turkey in regard of the secularization of the practicing Muslims within the realms of politics, political economy, social codes, symbols, ethical and legal factors taking regard of the discussions of “becoming like Malaysia” in the sense of politicization of Islam and loss of secularism when removal of the headscarf ban issue is at hand. The aim is to point out the discrepancy between association of headscarf ban with the politicization of Islam and loss of secularism and the new phenomena which is called the secularization of practicing Muslims which emerged just five years after these hot discussions. The article’s fundamental background is the post-modern type of individual who is of “hybrid plurality” rather than that of “facile uniformity” whose “hybrid plurality” is circumvented and manipulated through the catalyst forces of capitalism and globalization (external forces) (Yılmaz et al., 2002, p.129). Throughout the article, since the terms of religiosity or being pious are relative terms, “pious individual” is going to be referred as the one who claims himself/herself religious or pious. There is no intention to point out whether the changes exemplified within these various cases/realms are of negative or positive implications within the realm of religiosity. The framework within which the observable changes are going to be placed is Turner’s theory of Performative Reflexivity whose account can be summarized as;

Performative reflexivity is a condition in which a socio-cultural group, or its most perceptive members acting representatively, turn, bend or reflect back upon themselves, upon the relations, actions, symbols, meanings, and codes, roles, statutes, social structures, ethical and legal rules, and

other social-cultural components which make-up their public selves. (Göl et al., 2009, p.804)

Though the Republican regime endeavored hard to restrict the practice of Islam to the private lives of pious people through control mechanisms and imposed a state Islam (that would serve for the interests of the state rather than that of individuals), it is an undeniable fact that the Republican project failed to erase the inherent nature of Islam whose practice could not /cannot be restricted merely to private life since the nature of Islam is of a public sphere and social life components. The individual facing with various cases/realms/requirements of post-modern world is brought up in a domain of labyrinth in contrast to his ancestors two hundred years ago whose world was of horizontal nature in which the terms of permissible and prohibited are definite and not forced to be within each other through the external and internal forces. The change in the extent/dimension/perception of piety can be observed under the embracing framework and sometimes overlapping umbrella of globalization and capitalism whose effects can be demonstrated in the domains of daily life practices, finance and entrepreneurship, commodification (fashion), political agendas of Islamist parties, pious people’s perspectives on what is secular and western and the way “they amalgamate and manipulate different types of normative orderings” (Yılmaz et al., 2002, p.129).

¹ An allegory to the 17th century English poet John Milton’s major works called “Paradise Lost” and “Paradise Regained”.

I. New Islamic Small and Medium Enterprises

In the last three decades, Turkish economy is in the process of transformation from an import-substitution policy to a “trading state” (Kirişçi et al., 2009, p.1). The origins of “trading state” can be linked to Özal’s era and his notion of economic interdependence based upon the increase in the import and export volumes reciprocally. The liberal policies conducted by Özal created a new business elite called the Anatolian tigers that is a new emergent class molded with the Anatolian type of religious background (Sufism). The economic transformation process demonstrated a break in the “social coalition between Nationalist View (MG) movement and the marginalized provincial middle classes and the lower class immigrant urbanities” (Gümüştü, Sert et al., 2009, p.961) since the prevailing economic pragmatism broke the sense of marginalization in social and public sphere as the new business class was able to fly to the foreign countries with the President of the Republic and able to return having made contracts. The sense of locality is transformed into a sense of global entrepreneurship. The primary concern of the devout bourgeois has become the economic activities involved in that resulted in an “identity shaped through economic activities” (Gümüştü, Sert et al., 2009, p.958) Thus “the increasing number of pious business people and their business associations are the by-products of the liberal policies of Turgut Özal” (Uygur et al., 2009, p.213) Özal’s perspectives of Turkish economy conceptualized as the neo-functional economic inter-dependence and pragmatism provided the small and middle entrepreneurs with conservative backgrounds with the opportunity to improve their horizon and integrate more and more into the globalized economy. A profound point in the appreciation of the fast-growing businessmen class is their internalization of “re-interpreted and reproduced understanding of Islamic values” and that of Western ones (Uygur et al., 2009, p.221). The economic development and the growth of trade network in the free-market atmosphere resulted in “an upswing” and “Anatolian bourgeoisie deeply grounded in Turkish Islamic culture, who profess Islam without simultaneously negating Western values and importance of liberal economy” (Karakaş et al., 2007, p.20-21) Though the way they perceived the world and life is based upon the Islamic background and values, the way they engaged in the economic activities is almost utterly a replica of the way their European counterparts engage in. Taking regard of the old and traditional ways through which the pious businessmen ran their business which is of no modern business practices, “pious businessmen started to participate in economic activities in a rational and modern way” (Uygur et al., 2009, p.211) The process starting with the Motherland Party’s coming to power, continued in the late 80’s and 90’s that resulted in “the inclusion of the religiously-oriented into mainstream politics” that gave rise to the Justice and Development Party in the initial years of the 2000’s which “espouses a liberal interpretation of secularism by unique aspects of moderate Turkish Sufism” (Tezcür et al., 2007, p.497) The party’s initial founders were of membership or strong ties with the Independent Business and Industrialist Organization (Heper et al., 1997, p.35). TUSIAD representing the organization of businessmen with secular backgrounds has made use of its ties with the governments in power, and the statesmen in coherence with the Kemalist establishment were of supportive stance towards the organization that is more visible in the various cases of state-led bids. The rise of political Islam in the embodiment of the Justice and Development Party reversed or at least equalized the conditions for both of the sides concerned and this situation caused a battle between the two middle classes characterized as the secular and new religious conservative, “the former is skeptical of all Islamism of all sorts and the latter is drawn to pro-modern sort of Islamism” (Somer et al., 2007, p.1275) The clash of

two middle classes is observed in regard of the support they give to Turkey’s accession to the European Union, and it is made clear that “now most practicing and activist Turkish Muslims advocate it, and believe that ‘the Copenhagen criteria’ (amr bil ma’ruf), whilst the role of reactionary conservatism is now left to militarist ‘deep state’ elite” (Yılmaz et al., 2002, p.130) Though “the hard-line” kemalists and secularists are expected to follow Atatürk’s ultimate aim of “advancing to the level of contemporary developed civilizations”, it is the new Islamic bourgeois aspiring for the implementation of ‘the Copenhagen Criteria’. The association of ‘the Copenhagen Criteria’ with the Islamic notion of “amr bil ma’ruf” is another aspect demonstrating the extent to which the former provincial Islamic groups has re-interpreted the Islamic values, in which the re-interpreted or moderated Islamic vision is devoid of negating what has nothing to do with Islam, or Islamic references at all. In regard of the ethics/norms/values and political culture, the political stances that these two battling middle-classes have can be demonstrated in Shively’s (2008) words;

It seems fair to argue that it is the Kemalists themselves who are the real Islamists, since they attempt to impose by law and force a particular interpretation of Islam, while the moderate AK party and its supporters, such as the students in the Koran course, are closer to true civil secularists, since they have articulated a desire to allow for less state-control and more freedom of religious practice. (Shively et al., 2008, p.706)

It is also in the establishment document of Independent Business and Industrialist Organization that makes their support clearly-stated for accession to the European Union that will open up new western markets where the profits are more guaranteed in comparison to the markets in the Middle East to which (already) devout bourgeois is of deeper trade networks. As in Başkan’s words (2010); “Turkey’s Islamic business elites have become ‘contingent democrats’ to protect their material interests (Başkan et al., 2010, p.400)” The term ‘contingency’ can also be explained further through the words of Demiralp (2009);

MUSIAD’s agenda was shaped by structural interests rather than religious ones, and many MUSIAD members would consider joining TUSIAD if asked, due to TUSIAD’s capacity, prestigious and powerful history, and its private relation with the state. (Demiralp et al., 2009, p.321)

Another point in support for free-market and less state control among pious businessmen has much to do with the acceptance of the notion of democracy, which is also obvious in Karakaş (2007), who gives reference to the words of Ali Bulaç whose views are of significance since he is a well-known intellectual affecting the thoughts of pious people; “Secularization of Islam from within has already passed the point of no return, and that democracy is also accepted among Islamists,” (Karakaş et al., 2007, p.30)

II. Capitalist Patterns and Re-philosophized Islamic Jurisprudence

The rules and patterns of capitalist business life and Islamic jurisprudence are put into the same pocket and the pious businessmen tend to associate his business with what is sacred. Though Islamic jurisprudence is clear in the issue of interest, the pious businessman (coded as RG2) who needs to survive in capitalist business patterns claims that;

I mean according to our belief, in some unavoidable situations “haram” turns into “helal”. Ok, interest is prohibited. I could not pay my electricity bill on time. Now look it is the rule of trading. Which one is right? Closing the factory down, or getting

some bank loan and surviving? According to my small brain I would say rescuing the factory is more important (Uygur et al., 2009, p.220)

Though Uygur (2009) does not delve into the philosophy of what RG2 claims, one might argue that it is also worth delving into it since he makes an allusion to an Islamic rule however this allusion also seems to include some circumvention. The allusion is to the general idea of ‘forbidden’ turning into ‘helal’ as in the case of a man/woman who is in an empty desert, for whom eating a piece of pig-meat enough to make him survive is permissible. The pious businessman makes an allusion to a sample which is inherent in Islamic culture. He puts the factory in the place of the starving man in the desert and endeavors to justify his deed of using interest. One can also observe the subordination of Islamic jurisprudence under reason and it can be argued that reason (“my small brain”) symbolizes the secularization of the practicing Muslim when it comes to choose between the capitalist business patterns and Islamic jurisprudence. In coherence with the idea of interest rate being ‘forbidden’, Islamic bourgeois created its banking system which is functioning within a capitalist market and in harmony with its rules. Uygur(2009) demonstrates that there is still an ongoing debate whether the interest-free banks are in a genuine coherence with the Islamic jurisprudence and he makes reference to Timur Kuran’s *‘The economic impacts of Islamic Fundamentalism’* which claims that “there is no significant difference between working mechanisms of interest-free banks and ordinary banks” (Uygur et al.,2009, p.220) Interest-free banks whose customers in general are of Islamic background, have the tendency to internalize and re-produce the way their ordinary counterparts work. Demiralp’s (2009) interview with Al Baraka General Secretary Utku in 2005, signals that “the stock exchange is not a hazardous tool, a share is a commodity, so it is okay to buy or sell it unless you use it for speculative purposes”(Demiralp et al.,2009, p.323). Pious businessman’s view on the credits given by the state-banks is another point which is presented as a trap by Özal who was MUSIAD consultant in 1997, since “the state charges interest, even if small, with an aim to dissuade pious citizens and to help those with certain ideological tendency” (Adas et al., 2006, p.122). But the trap represented here is not pious businessmen benefiting from credits charged interest, but their being prevented from using it. The trap is, ironically, the state-led banks’ support for the secular businessmen, whereas dissuading the ones with Islamic background by making use of the interest. Adas (2006) also makes it clear that some “prophet’s saying” is re-interpreted to justify the “work ethic”. “Those who live two succeeding days the same way are at loss indeed.” which is interpreted as “if you employ two workers today, you must employ four tomorrow” (Adas et al.,2006, p.129) though it used to be interpreted as verifying the ways of praying which is the only way to be the beloved subject of the God. The “work ethic” that the pious businessman refers to, foresees richness as a tool to become more powerful and visible. Adas (2006) makes reference to pious businessman view with the words of “we ought to take the treasures of God from their hands and we ought to possess them. If we do so, the rich will be granted the status of martyr” (Adas et al.,2006, p.131) The analysis of these words point out that pious businessman justifies the greed for being richer to achieve a further aim, and he makes allusion to the martyrs in Jihad, people killed for the sake of God.

III. New Commodities for the New Conservative Consumer Culture

The new bourgeois formed its own consumer culture in harmony with the capitalist way of handling the business, and

this consumer culture had “close links with the politics of identity, small urban shopkeepers and founders of metropolitan companies that created a market for their life-style and ideology” (Yashin et al.,2002, p.223) That is where the new consumer culture demonstrates “performative reflexivity” in which the new visible bourgeois “make up their own public selves” based upon their relation to the free-market, neo-liberal, globalized and capitalist forms and the new public-self is closer to the carnal world rather than that of Islamic notions (Göl et al., 2009, p.804) The cultural Islam has become more and more visible in daily financial relations and the rising new middle class seemed to be devoid of any hesitation to internalize the patterns in which the capital is utilized in a capitalist economy. It seems fair to argue that Turkish modernity is based upon “cultural Islam co-existing with postmodern, highly globalized and consumptionist cultural patterns” (Keyman et al. 2007,p.224) These pious business people also refashioned the framework of ‘Islamic ethic’ in a way that is inherently a component of capitalist economies. Uygur (2009) makes it clear that “pious business people refer to quasi-Puritan values, such as hard work, thriftiness, honesty and call these ‘Islamic ethic’, though none of them are exclusively Islamic” (Uygur et al., 2009, p.217) As stated above in Yılmaz’s (2002) words, they “amalgamate, manipulate”, re-interpret and re-produce different types of “normative orderings” and internalize them in their daily life, financial/trade engagements. The transformation of the ‘Islamic ethic’, its being likened to what is inherent in the birth of capitalism, provides justification in running a business in harmony with capitalist patterns rather than that of Islamic ones. In Yashin’s (2002) words, “political economy is intrinsic to the construction of cultures” (Yashin et al., 2002, p.225). In other words, political economy is the primordial force in refashioning the Islamic culture. While taking regard of the commodification that the pious businessmen or shopkeepers are engaged in, one should take cognizance of the intertwined relationship between the political economy and culture that is summarized in Yashin’s words as;

Culture has too often been conceptualized as distinct from the domain of commodification. Anthropologists have written numerous ethnographies of the disruption and transformation of culture through the incoming forces of capitalism. Like the concepts of structure and change, products of binarism, the categories of culture and economy too have been pit against each other to overlook their inherency. When culture has been too easily mapped onto what is local, economy even after centuries of capitalism has been associated with what is Western, and therefore with what is external to and what is supposedly contradicts authentic local culture (Yashin et al.,2002, p.223).

The Islamic culture is transformed and re-produced in such a way that the business-making patterns that pious bourgeois hold is of more of a secularist pattern rather than that of Islamic culture. Some of the brands selling Islamic clothing such as overcoats and headscarves for women, had the brand names such as Tevhid, Hak and Tekbir. These names are utilized to “invoke Islam” and to attract and attribute to the attention of rising middle class whose preferences are reshaped in accordance with the refashioning styles (Yashin et al., 2002,p. 246) Fashion is the catalyst in a capitalist system that makes it possible to create a medium that makes people think that what they bought last year is obsolete and they need a new one that is ‘fashionable one’ that makes them feel respectable, proud and presentable which are utterly against the Islamic notion of humbleness. Yashin (2002) also makes it clear that one of the companies mentioned above “reached its clients through well-advertised fashion shows” that is another point in demonstrating the intertwined relationship between Islamic bourgeois and capitalist system. The image a ‘fashion show’ invokes is almost utterly linked to the image of models whose bodies (color of the eye, good appearance) are utilized to present

what is in ‘fashion’. The images used in fashion shows are also signs of modernity that is made clear with the words of Yashin (2002) as; “those blue eyes that represented ‘modernity’ for Turks, were employed not only in the secularist fashion industry, but also in Islamist sectors that aspired to be Muslim and modern”. (Yashin et al.,2002,p.245) Taking regard of the fashion shows as having Western origin, one of the pious businessmen interviewed by Uygur (2009) and coded as RG2 claims that “when we look at their (European) business, it’s like our religion” (Uygur et al., 2009, p.219). It shows the extent to which pious businessmen’s perspectives upon the Islamic system of economy has changed. It is also evident in Uygur’s (2009) interview that the concept of Islamic economy business is referred as both ‘unrealistic’ and ‘inapplicable’ system in the modern times. Çarkoğlu (2010) refers to a survey inquiring the extent of support for Sheriat-based religious state and one can appreciate that the ones favoring this kind of state are marginalized since;

According to a survey held in February 1999, those who do not favor the establishment of a Şeriat-based religious state in Turkey form a group of about 68 percent of total respondents, while about 11 per cent of total respondents did not express a preference. (Çarkoğlu et al.,2010, p.118)

Though extravagancy is prohibited in Islam, fashion shows give the idea that what was bought last year is not new anymore, and the fashion shows in the western world were criticized to be full of vanity, pride, showing off and materialism and these values have nothing to do with Islamic values. As Bilgin (2003) claims, there is a certain “differentiation between what the devout called permissible (helal) or forbidden by religion” Islamic bourgeois’ use of fashion shows demonstrates the extent that the capitalist forms and patterns make them internalize what is worldly. In the fashion shows of these companies mentioned above, the type of models who are covered with headscarf and overcoats are of western type/appearance. It is more of capitalist patterns (fashion) rather than traditional Islamic culture that give impulse to the activities of pious-businessmen. The interviewee in Yashin’s (2002) article indicates “the commodified quality of women’s clothes and modification of styles to match those popularized and invented by the big veiling companies” (Yashin et al.,2002, p.241) The shopkeeper indicates the influence of fashion with the highlighted words; “Everyone wore silk until they had it up to here with silk, then one of the big companies put the stoned silk models on the market. We now have to produce that, too.” (Yashin et al., 2002, p.242) He feels the necessity to produce ‘stoned silk models’ since the fashion of the year creates ‘a need’ for the clients. The intrinsic relationship between cultural-normative orderings of Islam and political culture is worded in Adas’ (2006) article with the words following;

The relationship between Islam and entrepreneurship in Turkey is reconstructed and reconfigured resulting in a dialectical process wherein capitalism and Islamic culture interpenetrate and transform each other (Adas et al.,2006, p.115)

It seems fair to argue that both the behaviors of customers and the shopkeeper are invoked through a secular mechanism in which production patterns and customer interests are in circumvention of Islamic culture’s normative orderings. Covering means covering the contours of the body so that the person who covers does not lure people’s attention which is also a sign of trashing the pride embedded in human nature. However, taking regard of the ‘stoned silk models’, it can be argued that the Islamic normative ordering is circumvented and amalgamated in coherence with what the fashion ‘preaches’ and fashion emerges as a milieu in which the practicing Muslims invest. In coherence with the fashion shows and the European models in headscarves with make-up, it is not a big surprise that the young genera-

tion of the devout bourgeoisie has the similar appearance which is a sign of internalization of what is western and secular as a part of Islamic culture. Fashion as a secular item has become a part of the daily life of practicing Muslims and “the new goods create new forms of ‘being’ or ‘identity’, crafting and selling ‘Turkish authenticity’ in what they wore and ate, although market-produced” (Yashin et al.,2002, p.245). What is produced by the capitalist market is embedded into the Islamic culture and “Islamist identities in contemporary Turkey are products of manufacture rather than that of some primordial “Turkishness” (Yashin et al.,2002,p.241). The devout clients with growing financial power reshape their identities through the manufacture they sell and buy. The association of manufacture with the local culture forms a new type of ‘local’ culture that is thought to be genuine and traditional, though the case is not so.

IV. Secularization in the Daily and Public Life Practices

Rethinking of Bilgin’s (2003) words about the change between what the devout people called “permissible” and “forbidden” by religion, changing opinions and attitudes towards music is a domain in which “the intensity of the differentiation concerned can be an answer for the extent to which the notion of piety has changed” (Bilgin et al.,2003,p.200). Daily life practices of pious people in Turkey are the most apparent apparel that can be attributed to the observable secularization of the practicing Muslims in Turkey. Aggressive attack of the entertainment world, motorized by the processes of globalization and capitalism, could not be resisted by the practicing Muslims. The local culture of the practicing Muslim is being given a new shape including difference in the limits of what is forbidden or permissible. Thus, practicing Muslims’ behaviors towards music and their changing attitudes are symptoms of external forces that influence the natural local traditions /environments that are getting flattened. In Islamic jurisprudence (canon law), “music is not permissible since it includes the voice of women and instruments” and “the first private radio stations established by the pious people played merely hymns” (Bilgin et al.,2003,p.202) However, nowadays pious people in Turkey also listen to various kinds of music and “hymns are now being put into different music forms ranging from authentic to pop” (Bilgin et al.,2003,p.202)

Performative reflexivity that the pious people internalize in their daily lives is also a sort of flattening mechanism that likens the local practicing Muslims to a “globalized” citizen whose taste (likes and dislikes) becomes more and more like an individual whose background is lack of Islamic local culture. A similar kind of amalgamation and circumvention can also be clearly observed in the broadcasts of TV channels that were “established by the pious people had very low rating grades during the first year” (Bilgin et al.,2003,p.203). During the first few years, the programs were based upon the discussions of religious subjects, broadcast of hymns and daily news. The aim was to prevent people from being indulged in the hazardous effects of the other TV channel programs and to give some didactic messages and to intervene into the world of the TV watching pious audience. The news broadcasted were also devoid of any kind of violence scene since it is against the notion of Islam and Islamic culture within which ‘peace’ (the genuine meaning of the term, Islam) is mostly appreciated. Bilgin (2003) also makes it clear that “these programs could not be a good alternative”. Due to the continuance of the low-rating grades, the channels concerned started to make use of serials whose content is of violence. Take, for instance the newspaper called Zaman, which “did not have any sport page or section when it started to be circulated in 1986” (Bilgin et al., 2003, p.209)

Nowadays, it has 3-4 pages alleviated for sport section. The goal of making use of media was to be able to give messages to more and more people, however the need to reach more and more people required these TV channels to transform themselves in a way that it can also reach to moderate people. It is also evident that this process created a contradiction that is stated as “in contradiction to the aim of transforming the others, it transformed the pious people’s themselves in a short and effective time period” (Bilgin et al., 2003, p.212).

V. The Gap Between the Townsmen and Villagers

The gap between the townsmen and villagers refers to the gap in the degree of traditional practice of cultural Islam. The re-philosophized cultural Islam is expected to be more tangible in the urban areas since the external forces of capitalism and globalization are more influential in these milieus rather than rural areas. The process of ‘transformation’ has made the pious people receptive to the secularism. The receptiveness is observable in the choices and attributions that pious people make in different sorts of cases. It is also evident that the transformation and the increase in the receptivity towards secularism is more tangible and visible in the urbanities compared to the rural areas. It is also supportive of the thesis presented in regard of the “performative reflexivity” that is a prominent result of the external and internal forces. Urban areas characterized with more facilities and intensified human interaction is obviously the milieu where the public-selves needs to be performed more intensively. Stirling (1958) refers to this phenomena as the “widening gap between town and village” and makes it clear that “religious difference is perhaps the most important one” (Stirling et al., 1958, p.407) The external and internal forces are more tangible within the urban mediums. It is the intensified interaction between people in cities that give them a higher chance to imitate what they are exposed to in fashion shows. The gap is also evident in Magnarella’s words (1970) where he claims that “only 13.2 per cent of the villagers and 3.9 per cent of the townsmen put forth fatalistic reasons like fate and chance whereas the rest makes reference to ability and hard work”. (Magnarella et al., 1970, p.237) It is not a surprise that hard work and ability are also the terms utilized by the newly rising pious middle-class whose work ethic is very close to that of Calvinistic work ethic. The transformation is also evident in the choices that pious people make. It is fair to argue that pious people endeavor to armor themselves towards the performance of public-selves which is in coherence with the demands a secular person. On the one hand, secular people tend to send their children to private schools with a western type of education, on the other hand, Heper (1997) makes it clear that some Imam Hatip schools have been a focus of interest and “they owed their popularity to its English language instruction rather than to its teaching of Islam” (Heper et al., 1997, p.35). The school’s popularity stems from the fact that learning English language promises more benefits for the future than that of Islamic education. Same kind of performative reflexivity finds its place in the prays that include “demanding money and more income”, “finding a good partner and marriage”, “wishing victory for the favorite football team” and “success in an exam” which is a decent sample for intertwined milieu of religion and worldly life (Çarkoğlu et al., 2009, p.30).

Conclusion

It is still debated whether the new Islamic middle-class has failed to give a viable response to the globalization and capi-

talist system or not. The article, far from endeavoring to find out an answer to this debate, tries to demonstrate the intrinsic and intertwined relationship between capitalism and the secularization of the practicing Muslims. It also points out that the increasing conservativeness is within the process of secularization since it is not exempt from the forces of capitalism and globalization. The new small and medium Islamic enterprises internalized the patterns of capitalist system that led to some significant transformations such as; re-philosophized Islamic jurisprudence, the use of western and secular notions of fashion and new Islamic commodities, secularization in the daily and public life and a visible gap between the townsmen and villagers in terms of the internalization of the traditional Islamic culture.

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International Relations

Gender Dimensions of Global Processes: The Feminization of Migration and the Global Sex Industry

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Abstract

Why is gender relevant as a category of analysis in the study of global processes? What do we know about possible gender differentiated impacts of the various dimensions of globalization and about their implications for gender equality? How does globalization affect women's status, feminization of migration, sex industry, women and children's working conditions, their health and well being? One of the central aspects in the debate concerns the possible gendered dimension of the structural changes. The question of concern is how it can be claimed that globalization induced gains and losses are unevenly distributed between the sexes. Are there reasons to believe that the effects of globalization do not spread evenly among males and females and this has devastating effects on women in developing countries? The primary objectives of this research are to uncover the gender dimensions of the global processes, international trafficking of women and children for forced labor and prostitution, global sex industry, feminization of migration, and current trends in gender equality status as a result of globalization, especially in developing countries. Trafficking of persons (mostly women and children) for commercial sexual activities and forced labor is one of the fastest growing areas of international crime. This remarkable anthology takes a broad geographical and economic perspective while also dealing with the specificities of the socio-political background, poverty, opportunity structure, legal conditions, the role of the state, gender structure, and the organization of the trafficking business.

Keywords: gender, globalization, migration, feminization, sex industry, traffickers

The relation between globalization promoting policies, economic growth, inequality and poverty is heavily debated and remains unsettled. One of the central aspects in the debate concerns the possible gendered dimension of the structural changes. The question of concern here is if and how it can be claimed that globalization induced gains and losses are unevenly distributed between the sexes. Are there reasons to believe that the effects of globalization do not spread evenly among males and females and that this has devastating effects on women in developing countries?

Globalization is generally understood as resulting in greater economic interdependence among countries through international trade, capital flows and international production. Both technological and institutional factors are stressed. On the one hand globalization has been enabled by new information and communication technologies while on the other hand globalization has been enabled by free trade and financial-promoting public policy, which convert into reality the possibilities opened by technological innovation.

Globalization encompasses the dynamic processes of international trade and finance that interconnect and increasingly integrate national economies. These global processes have an impact on local labor markets – on employment structures and relationships, wages and working conditions, opportunities for women and men and their labor force participation. Globalization has given countries access to a bigger workforce across the world (Dejardin, 2008:1).

Migration and trafficking are two different interrelated phenomena. Migration is a broad general concept and trafficking is only a subset or category of the broader conception. Migration is the movement of people from one place to

another (in case of international migration one country to another) in order to take up employment or establish residence. International migration (i.e., migration across borders) in particular is a complex and multidimensional phenomenon. The dynamics of international migration is often explained or measured in relation to (either alone or in combination) citizenship, residence, time or duration of stay, purpose of stay, or place of birth. On the other hand, trafficking in persons as a subset of migration is the movement (either internally or internationally) of a person under a situation of deceit, force, threat, debt bondage, etc., involving exploitation and violation of human rights. Trafficking in persons therefore results in abusive exploitation and human rights violations. Studies suggest that a person by placing himself/herself in the hands of traffickers loses control of his/her fate and freedom and ends up in "harm" situation (Beeks, Amir, 2006:6)

Feminization of migration. The history of migration is as old as the history of humanity. Since the very beginnings humans have migrated to build a new, more hopeful existence somewhere else. Today migrants often break away from their home countries as a consequence of warfare, political repression, or severe poverty. Stephen Castles and Mark J. Miller write that "migration has become a private solution to a public problem". Migrant labor is also of course associated with a myriad of other problems to which such workers are subjected (Hochschild, 2009).

The astonishingly high number of women migrating is a new global trend. In the past it was mainly men who went to countries far away; women came as followers. In the last twenty years, however, this has changed so much that today over half of all migrants are women. Furthermore, female migrants have often become the main or single wage earners

of their families. Saskia Sassen calls this the “feminization of survival”—societies, governments, and states more and more depend on the work of women in the labor force. Thus the necessary conditions of work and survival fall increasingly on the shoulders of low-waged, deprived, and exploited migrant women (Sassen, 2001:103).

Gender analysis of current international labor flows, reveal that migration is no longer male-dominated, that women now are migrating independently in search of paid work (as opposed to before as wives accompanying their partners), and that international migration is increasingly becoming feminized.

The main standards protecting migrant workers come from the United Nations agency devoted to labor issues, the International Labor Organization (ILO). It also imposes an obligation on states “to respect the basic human rights of all migrant workers,” confirming its applicability to irregular migrant workers. A report from the International Labor Organization (1996) states that Asian women constitute the fastest growing component of international migrant labor. Women in constituted half of all cross border migrants and 48% of intra-regional migrants in 1990 (Daeren, 2000). A central feature of globalization is the increased mobility of people across borders. A feminist perspective of migration reveals that gender roles have limited women’s ability to search for better jobs elsewhere. It is therefore argued that the study of migration must take into account not only the ones that migrate but also the ones who stay behind. Recently, however, the gender focus of migration has shifted from the women left behind to women whom migrate themselves.

Migration is perceived by both men and women as a means to improve their living situation and increase their share in development. Poverty and lack of opportunities represent the major factors leading men and women to move away from their national border. Female emigration is spurred in part by a large wage differential between sending and receiving countries, and the increasing burden placed on women by rising male unemployment at home, as well as by the reduction in demand for male labor in receiving countries due to economic slowdowns, which cause demand to shift to services that usually employ female labor (Beeks, Amir, 2006:21-22). According to the authors the feminization of international labor migration is a global trend. The percentage of women in the migrant population (both permanent and temporary migrants) has been increasing in the postwar period, and at present they comprise the majority of international migrants. Referring to Zlotnik the authors claim that between 1965 and 1990, the number of female migrants around the world increased by 63 percent—from 35 million to 57 million an increase of 8 percent higher than that of male migrants and in the US, 53.3 percent of newly admitted were women in 1998.

It is now quite evident that women and men experience migration differently, in complex ways not even captured by the term ‘feminization of migration’. Gender differentials need to be set in conjunction with national ethnic, skill level and legal status differentials. What the gender focus provides is an emphasis on the broad social factors influencing women and men’s roles and their access to resources in the migration process. While much of the literature on the migration-development nexus focuses on the economic aspects—such as remittances— a gendered perspective directs us to the crucial dimensions and often buried considerations of equality (Munck, 2009:14-15).

Women migrant workers often take jobs in unregulated low-skilled sectors, such as domestic work, child care, elder care, and commercial sex work. Furthermore, this employment tends to be irregular, unprotected by labor legislation

and, often in the case of sex work, facilitated by criminal trafficking networks

Global sex industry. Migrating women are in a paradoxical situation. On the one hand, their home countries praise them as “heroes” for bringing in remittances and contributing to development and growth. Their husbands and families celebrate them, as they now can afford to live better than ever before (good and healthy food, private schools, toys, better houses, etc.). Their employers in the rich North sometimes esteem them, as they acknowledge the increased need for care work. On the other hand, the same women migrants are being criticized and condemned. Many times, their children express disapproval and negative feelings towards their mothers. They keep asking themselves—even years after the migration process has ended and the family is reunited again—whether their mothers really had to “go,” why their mothers left them, whether there were alternatives to leaving children behind. Neighbors criticize migrant women, especially the more wealth the migrating women’s families acquire, for how “materialistic” those departing women are. After all, they sometimes surreptitiously say, those women were able to leave children and husbands behind just to make money. And very often these are exactly the same thoughts and beliefs that migrating women themselves have. Thus, women migrants have and face constant self-reflection and self-criticism (Isaksen, Dave, Hochschild, 2003:65-66).

Trafficking in women and children for sexual purposes has in this context become a very lucrative business, third in size after the trans-national illegal trade in arms and drugs. Of these three items, human smuggling brings in far more cash. Drugs and guns can only be sold once. Women and girls can be sold again and again. In many cases, smugglers don’t even have to pay for the women and children. There isn’t one law or one program to help you escape from that life. Recruiters attract women who are poor and uneducated. They don’t need to beat you to make you vulnerable. Poverty does that.

The sexual exploitation of women and children and the trafficking of women for purposes of prostitution have existed for all of recorded history, but the escalation and “industrialization” of sexual exploitation are less than a few decades old. The sex industry is the collection of legal and illegal, single and multi-party operations that profit from the selling of women and children through trafficking, organized prostitution and/or pornography (Cook, 1998).

It is believed that the global sex trade constitutes a substantial part of worldwide irregular migration and labor migration. Women and children are increasingly becoming commodities to be bought, sold, and consumed by organized crime rings, tourists, military personnel, and men seeking sexual entertainment or non-threatening marriage partners. Through financial and technological interdependence, the sex industry and the Internet industry have become partners in the global sexual exploitation of women and children. Those with power are using new information technologies to expand their capacity to exploit women and girls throughout the world (Hughes, 2000:1).

The majority of victims are often kept in squalid conditions in a state of virtual house arrest and transported to and from work only. Even when women have relative freedom of movement, their illegal immigration status, inability to speak the local language, lack of documents and fear of being arrested, mistreated, and deported keeps them from seeking help from the local law enforcement authorities. For example, IOM study of trafficking from Azerbaijan reports that, “With one exception, none of the victims have tried to seek assistance from authorities, either in the country to which s/

he was trafficked or upon his/her repatriation to Azerbaijan. The primary reason was for that is a lack of trust in law enforcement agencies (Beeks, Amir, 2006:69)

Hughes (2000) takes a broad look at the links between globalization and commercial-sexual exploitation of women and children, and argues that new technologies, global tourism and globalized crime, have given the sex industry new means of exploiting, marketing and delivering women and children as commodities to male buyers. In regard to the relation between sex industry and the Internet industry it is argued that the Internet industry is heavily dependent on the sex industry, thrives on it and looks to it for innovation. Four million people, mostly women and girls are reported to be trafficked each year. Many become literally enslaved in the sex industry (Hughes, 2000).

It is widely assumed that women and girls enjoy being in prostitution and making pornography, while research findings reveal that women and girls are often tricked and coerced into the sex industry. The United Nations estimates that there are 200 million people around the world forced to live as sexual or economic slaves (Director General of the United Nations Bureau, Vienna, Associated Foreign Press, Nov. 13, 1997.). Few women choose to be in the sex industry. If any choice is involved it is usually the last choice, when no other options are available. Each year hundreds of Ukrainian women are trafficked into the United States. Most of the women believe they will be employed as waitresses or nannies, only to be forced into the sex industry using debt bondage once they arrive. In a survey of Ukrainian women, zero percent responded that a job in the sex industry was an "acceptable job abroad" (*International Organization for Migration, Information Campaign Against Trafficking in Women from Ukraine, Research Report*. Int. Organization for Migration, July 1998.). In a research study from San Francisco, 88 percent of women in prostitution said they wanted to get out of prostitution, 73 percent said they needed job training, and 67 percent said they needed drug and alcohol treatment (Hotaling, 1999:239-251). Internationally, 92 percent of women in prostitution report that they wanted to leave prostitution (Farley, Barat, Kiremire, Sezgin, 1998: 405-426). These findings reveal the harm done to women in the sex industry and their desire not to be in the sex industry.

Hope or false dawn? There are men in modern society who experience strong inducements to develop new and more democratic strategies for male life, in relation to both women and children. At the same time, it is a fact that all men do not have the same goals. The older ideals for men still exist, in both open and hidden forms, because many, perhaps most, men benefit from the subordination of women. This means that even though the number of men who rigorously and openly practice the traditional patriarchal or male chauvinist patterns may be diminishing in some areas, it is fact that majority of men still take advantage and benefit from the overall subordination of women. This is true also for the Scandinavian countries, which are supposed to be the most advanced concerning 'equal opportunities' between men and women (Pease, Pringle, 2001:146).

Migrant women are often stigmatized for not sticking to the "traditional" gender role assigned to them by a patriarchal culture. They are perceived as having abandoned their families and children for money at the very same time that these economies are strongly dependent upon the remittances these women provide.

Studies reveal that migrants' children are ill more often than other children; they experience resentment, bewilderment, and indifference more than their friends, who live with their mothers. Children of migrant women have grown up without their mothers at their sides. The consequences of long separation periods, especially in very young ages, can

be devastating. Another negative aspect is the fact that now that mother-child/children relations cannot be based upon direct care, they alter into "care through money." Although mothers make huge sacrifices for their children, trust in mother-child relations erodes and children frequently have doubts about why their mothers had gone.

Migrant workers, and in particular certain vulnerable categories, such as women domestic workers and temporary and irregular labor migrants, continue to suffer abuses and malpractices at the hands of employers, government officials and the general population in receiving countries. This persists despite standards that have been painstakingly devised to enable them to lead a dignified existence when resident and employed abroad (Cholewinski, 2005).

Countries that supply the women are complicit in this trade because women who leave will send much of the money they earn to their families back home. At the same time, the countries on the receiving end look the other way because these foreign females often feed a booming and profitable sex tourism industry.

The following steps might be carried out in "sending" countries to help alleviate the problem: Foster creation of job opportunities for young women; Improve law enforcement efforts to prevent and punish trafficking of women; Crack down on official complicity in trafficking of women (including stricter control over issuing passports), and combat corruption which fuels organized crime;

*Carry out information campaigns on media and TV about the nature, realities, and risks of lucrative job offers;

*Provide legal, medical and psychological assistance to victims of trafficking; and

*Guarantee safety of victims who testify against the traffickers through witness protection programs

"Receiving" countries should consider the following actions:

*Amend laws, including immigration law, to exempt victims of trafficking and/or servitude from being these practices. Deportation may be appropriate, but punitive measures, including detention, should be waived;

* Prosecute traffickers and enable victims to bring lawsuits against traffickers by granting temporary residence permits for the duration of the case;

* Impose tougher penalties for trafficking. The United States has

already been taking such measures with the adoption of the Trafficking Victims Protection Act of 2000;

* Protect safety of victims of trafficking through strong witness protection programs;

* Ensure that victims of trafficking have access to essential social services, including shelter and medical care; and

* Distribute information brochures at the receiving countries' embassies abroad with each visa issued to a woman on the realities and risks of being trafficked and what to do if she found herself trafficked and abused abroad (in a local language) (Beeks, Amir, 2006:70).

When women migrate from the poorer countries they deprive their own children and elderly parents of the care,

love and affection they require and seek, creating a care deficit in their home countries, whereas a care surplus accumulates in wealthier countries (Hochschild, 2003) HOCHSCHILD, A. R. 2003a. *The Commercialization of Intimate Life: Notes from Home and Work*, Berkeley, University of California Press).

Globalization, often perceived as a threat to migrant workers and the realization of their rights, has also played a role in bringing together diverse and geographically distant voices to their defense, and may yet help bring about important changes at the national and international levels that will ultimately benefit migrant workers. Protection of migrant women is linked to issues of safety and control, and is used to legitimize restriction on migration.

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International Relations

Human Security beyond Energy Security: A New Paradigm for the World Development?

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Abstract

We will argue briefly in this paper that in stressing the coexistence of the universal and particular value, the first should and could not be for the World development a new paradigm dominating the second. The first could be the goal for the World development but at the same time the second should be the goal for the national development. To confirm this assertion we'll show firstly for this example the coexistence of the globalization and anti-globalization, internationalism and nationalism, and the human security and national security, then the Turkish and Georgian case as a practical one.

The neo-liberal economic order is the core of globalization¹. The globalization is defined as tendency that human living space is expanding beyond the political borders in the fields of economy, society, culture, knowledge, information and so on. The trend of deepening integration of world economy and intensifying political interdependence is expressed as the internationalization mixed with globalization². Also, the cosmopolitanism has a tendency for the universal value or standard to overcome the negative aspects of globalization.

This globalization refers to a series of complex phenomena currently appearing all over the world: increasing interdependence of the economy and technology, the emergence of the information society, the globalization of culture and mind, the administrative and political decentralization and localization, the rise of globally interconnected problems, the decline of the Nation State and the growth of civil society and so on. Also, this globalization has been accelerated after the collapse of the Soviet Union and Eastern Europe in 1989, which caused almost all countries to be incorporated into the capitalist market economy system.

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Keywords: Human Security, Energy Security, Global Environmental Politics(GEP), Neo liberalism, Nationalism

I. Coexistence of Globalization and Anti-Globalization

But the value prior to the globalization is still in effect. In the field of politics, in globalization era, there are conflicts between traditional forces which want to keep Nation States and the new forces which deny the Nation States to integrate over the world. The traditional forces can be defined as nationalism, and the other forces can be defined as internationalism, trans-nationalism, pan-nationalism or anti-nationalism.

Within the forces to keep the Nation States, some separatist movements insisting the racism, tribalism, sectarianism, and regionalism are appearing, and against these movements, the integrating forces are deriving to some kind of the pan-national movement. The forces which try to in-

tegrate the Nation States in all over the world can be seen as forces which make efforts to resolve the contradictions among the Nation States and progress toward cosmopolitanism through globalization³.

In the fields of economy, there are conflicts between the traditional forces of protectionism which regard the whole Nation State economy as an independent one, and the globalization forces which try to cross beyond the borders. The local forces which try to enlarge autonomy in the country can cooperate with globalization forces and individual corporations play a leading role in globalization. The economic globalization is being mainly led by the United States, Western Europe, and some transnational or multinational corporations.

The proponents of globalization insist that globalization

¹ Jeong Won Nah, *Korean Environmental Politics*, Jip Moon Dang, Seoul, 2009.

² For the difference of the globalization and internationalization, see Leif Lewin, *Democratic Accountability: Why Choice in Politics Is Both Possible and Necessary*, Harvard Univ. Press, 2007, pp.63-89

³ For the positive and negative side of Democracy in the age of globalization, and the formation of the international organization, see Raffaele Marchetti, *Global Democracy: For and Against, Ethical theory, institutional design, and social struggles*, Routledge, 2008, Peter F. Nardulli ed. *International Perspectives on Contemporary Democracy*, Univ. of Illinois Press, Urbana and Chicago, 2008.

contributes politically to spread democracy and expand the value of human rights. It is said that globalization is an inevitable and irreversible trend already and the whole World should be in war against terror because on a long term basis everyone can have benefit from it, it contributes also to the spread of democracy⁴. When the global companies do business in other independent countries, they try to meet global standards in accordance with the laws of each country, induce to revise the law and strengthen the guarantee of human rights in ensuring the free competition in terms of anti-corruption, employment and commodity production-consumption⁵. As the corporate social responsibility promotes the liberalization and integration of domestic and international market, it enables the sustainable development⁶.

However, the globalization is complex as shown in the concept itself. Since 1980s, the globalization has been preceded from the United States and Western Europe -centered to the multi-centered, as we can see that it is defined and described crossing the stance on globalization not only between the positiveness and negativeness, also between the realism and idealism. The globalization in the 21st century presents a different view from the 20th century⁷. A new trade environment is being formed and the East Asia, China, India(NIEs, BRICs, G20, G77) are performing a major role in multi-polarized situation. And in these days some are exaggerating this trend as a G2 figure.

There coexist the globalization and anti-globalization. The opposition to globalization could be divided into two stances: one is positive critical stance to recognize the positive elements of globalization in pointing out the negative aspects, and the other is anti-globalization stance to deny the globalization itself. The former concerns the overall uncertainty of globalization: in the field of economy, it points out negative aspects of globalization which is deepening the inequality between the owner and laborer. In contrast, there is a stance on anti-globalization to deny or strongly criticize globalization itself: the globalization of the economy is simplified as capital globalization or capital generalization of the United States. The spread of American democracy and Protestantism, and the World police role of United States' military power could be called as an Americanization in the political, military and cultural fields. They say that this Americanization is a new totalitarianism: Globalization is the colonization and another extreme form of capitalism disguised as the Old World imperialism.

II. Coexistence of Internationalism and Nationalism

The globalization is an ongoing phenomenon, and concrete-

ly it makes steady progress in conflicts. The discussion on the status of Nation State is not constant. The globalization contributes to internationalization in changing the closed Nation State to the open one. Through the global regulatory across various fields, the globalization deepens the discussion on sustainable development and contributes to 'internationalization of States'⁸. The globalization of the Nation State has been made. This situation requires the conversion of the Nation State. The globalization is a challenge to democracy based on the traditional Nation State, a challenge to the welfare State model, and a challenge to the fate sharing community which is composed of Nation States. Also, it fragmentizes the identity of social groups and enables the civil society organization to become transnational one⁹. However, the globalization beyond simple internationalization is not yet preceded to cosmopolitanism which is operated by a new political system. The main reason is that the traditional sovereign States or the Nation States remain undiminished.

The Nation States in the era of globalization are being forced to change their status. It is argued that modern Nation States are facing the crisis and deconstruction because of the governmental authority crisis: changing from the big to small government, from the traditional politics to practical moderation tendency which appreciates the economy rather than the military-oriented security in laying emphasis on the cultural politics and diplomatic negotiation. The globalization emphasizes deterritorialization and cosmopolitanization to maximize capital profits. In conflicts and confrontation between Nation States, it is alleged that the globalization deconstructs an existing structure which is formed around the Nation State to make a new world order. The transnational corporations and transnational capital undermine the sovereignty of the Nation State and reduce the governmental activity realm. In the era of globalization, the basic economic policy of a country is not determined by the country but by the international economy. In other words, authority to decide the economic policy is increasingly transferred to international union or transnational organization. For example, a country's trade policy is influenced by the international organization such as World Trade Organization, and this phenomenon is considered to be deeper with the advance of globalization. In this way, as the importance of external rules is growing, the internal and external supremacy of the Nation State's sovereignty is being challenged and ultimately each State's actions are considered to be destroyed.

But the State represents 'hard State' and 'soft State' at the same time. A modern State at least remains as it is or is being strengthened and weakened simultaneously. However, as its internal and external influence is limited and weakened, the State itself is not de-constructed or denied and it is hardly expected to be so. Eventually, each State's sovereignty is also being retained, strengthened or weakened, but it is not being de-constructed or denied and it is difficult

⁴ Manfred B. Steger, "Ideologies of globalization", *Journal of Political Ideologies* 10(1), Feb. 2005, pp. 11-30. It's asserted that according to the globalization, the increase of the inter-religious dialogues, the diffusion of the democratic institution, whereas the exchange of the democratic experience decrease the possibility of the wars between the States: A. Kristian Skrede Gleditsch. *All International Politics Is Local: The Diffusion of Conflict, Integration, and Democratization*, Ann Arbor, University of Michigan Press, 2002

⁵ Patrick J. Keenan, "Financial Globalization and Human Rights", *Columbia Journal of Transnational Law* 46(3), 2008, pp.509-562

⁶ Jeremy Moon, "The Contribution of Corporate Social Responsibility to Sustainable Development", *Sustainable Development*, 15, 2007, pp. 296-306

⁷ Jan Nederveen Pieterse, "Globalization the next round: Sociological perspectives", *Futures* 40, 2008, pp. 707-720.

⁸ Ulrich Brand et al. *Conflicts in Environmental Regulation and the Internationalization of the State*, Routledge, London and New York, 2008

⁹ Donatella della Porta, "Globalization and Democracy", *Democratization*, Vol.12, No. 5, December, 2005, pp. 668-685

to expect to be so.

First, the weakening and decline of Nation State's sovereignty should be admitted. In fact there are many aspects to confirm the decline of sovereignty, though not to the extent of the extinction of Nation State or a sovereign State. Especially, the United States situated at the heart of globalization also inevitably should revise the national laws to accept the recommendation or policy of the World Trade Organization or the International Monetary Fund¹⁰. This is the infringement of the external independence of the sovereign State. The globalization is sustainable when the United States accepts the article of the WTO which says that the individual national law destroying labor and environment should be disposed of. In addition, domestically, as the military-industrial complex of the Cold War becomes privatized and changed into the War Service Industry, war is considered as a means of profit¹¹. Moreover, it lets policy makers inevitably wage the war to bring the weakness and decline of sovereignty.

There are three theoretical bases to support that the Nation State remains undiminished in spite of globalization. First of all, the existence of a sovereign State which is a traditional international unit is still being emphasized in the discussion on cosmopolitanism or global governance to overcome the negative aspects of globalization. The international organizations insisting 'the human-faced globalization', 'sustainable globalization' 'a socially responsible globalization' and 'Global macro-economic management need to manifest the problems about the social consequences of globalization. Also, it is claimed that 'Good government is the essential element to promote the socially responsible development'. As the neo-liberal consensus of weakening the role of the State only brought the failure of social policy such as conflicts between the rich and the poor, and expansion of unemployment, the governmental recovery to take the role of social policy is required.

Second, the discussion on the authoritarianism and pluralism, the debate between the liberalism and communitarianism bring into question a legitimate basis for political power within the State. The discussion on the welfare State is a problem about freedom and equality in a country. But here also, the uniqueness and absoluteness of a country's sovereignty is not a subject for discussion. The subordination argument between the periphery and center, and the world system of capitalism domination mainly deal with the freedom and equality among countries. The individual State's political and economic power is not independent and the autonomous sovereignty cannot be guaranteed. But this is relative rather than absolute. The State still exists as an agent.

In globalization, the decline of sovereignty and the manifest existence of sovereign State could be contradictory, but it should be admitted. The reason is that the decline of sovereignty is partial and it is possible to proceed only by the choice and consent of sovereign State. In the international organizations, the Member State's sovereignty is absolute. The realities of the European Union and the discussion on the North East Asian community show the status of sovereign State. The European Union may be referred as a regionalism model to realize the ideal cosmopolitanism to achieve sovereign State' deconstruction and interaction of dismantled sovereign State. However, the European countries that made the economic community are maintaining their national identity and sovereignty, and it is hard to imagine that each country in EU gives up its sovereignty to make up any political community. The European Union's economic community can be regarded as internationalization against the United States' globalization, not as the just model of globalization. In spite of globalization and Europeanization, the sovereign Nation States play a major role in the legal process and keep the national (individual, ethnic) characteristic¹². In the light of realities of EU which is most advanced for integration, there is more task to get a Worldwide outcome and it requires more time. In the long run, EU will be run to minimize infringement of sovereignty even in the military, diplomatic field¹³. In this situation, to take advantage of globalization in East Asia and in the World, insisting on the post-nationalism is just an excessive ideal tendency to dream the cosmopolitanism.

Meanwhile, the creation of new political institutions reflecting the decline of the Nation State is being discussed. A discussion on the institutional World government, World Council, non-governmental global governance is in progress. But here again also, the problem is the status of a sovereign State. It is basically a contradiction that the demanding participation in global governance which weakens nationalism as individual states strengthens their political position enhancing a new technology of government organization. The global governance has a duality when they try to exceed the Nation State¹⁴. Also, there is an opinion that the global governance is hard to discuss on the basis of ongoing globalization and democracy, because the individual States differentiate their character of democracy in the ways of democratization¹⁵. All countries in the World have not the same level of democracy and it is impossible to induce it to the same level. Even in democratic countries at the same level, there are several variables to determine the National interest. In this way, in inequality and ethnic conflicts, the globalization will be proceeded by the common interests, the ideological alliance of Nation State and the regional block,

¹⁰ Richard L Brinkman and June E Brinkman, "Globalization and the Nation State: Dead or Alive", *Journal of Economic Issues*, 42(2), Jun 2008, pp.425-433

¹¹ see Laurie Calhoun, "The Enemies of Democracy", *International Journal on World Peace*, 24(2), Jun 2007, pp.63-83, Charles T Call and Susan E Cook, "On democratization and peace-building", *Global Governance* 9(2), Apr-Jun 2003, pp. 233-246. For the incapability of the international society, see Alexander Thompson, "Coercion through IOs: The Security Council and the Logic of Information Transmission", *International Organization* 60, winter 2006, pp. 1-34.

¹² Benedicte Fauvarque-Cosson, "Towards a Renewed Universalism in Law", *Diogenes* 55 no3 2008, pp. 55-66

¹³ Todd Hedrick, "Constitutionalization and Democratization: Habermas on Post national Governance", *Social Theory and Practice*, 33(3) Jul 2007, pp. 387-410.

¹⁴ Erik Swyngedouw, "Governance Innovation and the Citizen: The Janus Face of Governance-beyond-the-State", *Urban Studies*, Vol. 42, No. 11, October 2005, pp. 1991-2006

¹⁵ David S Law, "Globalization and the Future of Constitutional Rights", *Northwestern University Law Review* 102(3) Summer 2008, pp.1277-1349

not by a global-cosmopolitan democracy (the third wave of globalization)¹⁶.

However, to optimize the global perspective they don't stop in that pessimism. Now, they are in pursuit of a universal community which is in our history the biggest and beyond the individual Nation State. To resolve the global problems it requires the integrated and effective international organization, and the future global unity is expected easier than the integration and consolidation of the 19th century, and in the 20th century many problems in various areas are already solved. The World Government, the World Congress, the World Bank are all feasible¹⁸. If major international organizations such as UN, OECD, WTO, and UNESCO fulfill various tasks in the era of globalization like World culture, World systems, de-colonization, and neo-liberalism etc., it would be possible to see not only the global unity¹⁹ but also the establishment of universal culture for the global unity. However, in order to remove the side effects of globalization itself, it should contribute to protect human rights, regional value, national culture, but these efforts rather have to strengthen the Nation State's role or status against the globalization. The degree of allowance of diversity in pursuit of universality is just the problem.

III. Coexistence of Human Security and National Security

The new paradigm of the World development in this 21st century should be to maintain the human race on the basis of technology in sharing the responsibility to the entire World²⁰. The key to the sustainable survival is the environment, because the environmental issues are the greatest threat not only to the national security which is related to the individual's safety and well-being at the national level but also to the security for the survival of mankind²¹. The neo-liberal globalization of individual Nation State led to the industrial globalization with capitalism, and this industrial capitalism brought the globalization of the environmental problems. So the global environmental politics is being discussed to solve the globalized environmental issues. The neo-liberalism and globalization contain a lot of problems, and are exposed to some criticism and resistance. The neo-liberalism in the individual countries cannot exclude the role of the State. Moreover, the existence and role of Nation

State cannot be denied in the flow of globalization, and the resistance against the anti-globalization would disprove the strong existence of nationalism. In addition, the nationalism is faced with the inevitable reality to accept post-modern criticism. Therefore, the global environmental politics proceeds in much conflicting situation. The issues and conflicts of neo-liberalism, globalization and the sovereign State itself are reflected to the global environmental politics, and the reality of global environmental politics which helps to solve the problems of threatening the existence of mankind itself appears very critical. Even if it is simplified the cause of global environmental problem as globalization, the searching for solution is not always headed to a positive way, because the relations between the national political system and neo-liberal globalization are reflected to the global environmental politics.

Since 20 years, we began to face a new concept such as 'human security'. In 1994, the United Nations Development Program started to use this human security covering the various securities such as the economic, food, health, environmental, personal, community and political security²². It has a great significance because UNDP comprehensively defined the human security of mankind, in urging to promote its level. A new paradigm of human and World development is suggested.

However, as this human security itself is very comprehensive and extensive, there are lots of problems in the concept itself and in the agent realizing of the concept. So it can not suggest a relevant new paradigm for human development. First, the confusion from conceptual inclusiveness could be raised. Human security is recognized as a new security concept, so that human security goes beyond traditional military-oriented security. Human security is non-traditional security. Non-traditional security has a transnational character emphasizing the security of non-military field²³. Contrary to the traditional security which emphasizes a State as an agent, non-traditional security emphasizes actors other than State such as international organization and INGO. The multilateral approaches are seriously considered as emphasizing the global governance. However, even under the globalism, this multi-dimensional approach is necessary when some local, national problems and inter-regional issues are emerging important²⁴. In addition, the human security also requires the national, international, and global security for the promotion and resolution of itself, so

¹⁶ Luke Martell, "The Third Wave in Globalization Theory", *International Studies Review* 9, 2007, pp.173–196

¹⁷ A.A. Long, "The concept of the cosmopolitan in Greek & Roman thought", *Daedalus* 137(3) Summer 2008, pp.50-

¹⁸ Fariborz Moshirian, "The significance of a world government in the process of globalization in the 21st century", *Journal of Banking Finance* 32, 2008, pp.1432–1439

¹⁹ Joel Spring, "Research on Globalization and Education", *Review of Educational Research*, Vol. 78, No. 2, June 2008, pp. 330–363.

²⁰ Claude Albagli, "Controversies around a Universal Model", *Diogenes*, 2008, pp.85-95: To look for the model is necessary which is technically sustainable, socially more equitable, culturally diversified and politically more participant

²¹ Young Ho Kim, "Climate Change and Human Security", *International Peace*, Vol.5 no.1(2008. 6), pp.133-168

²² Human Development Report(UNDP, 1994): Categories of Human Security-economic, food, health, environmental, personal, community, political security

²³ We can add to the UNDP's categories some securities as follows: Energy Security, Human Rights, Protection of Illegal Immigration, Anti-Terror, Woman Security etc.

²⁴ The globalism, regionalism, and inter-regionalism have to cooperate simultaneously: Sin Wha Lee, "Non-Traditional Security and Regional Cooperation in North East Asia", *Journal of Korean Political Association*, Vol.42. no.2(Summer, 2008), pp.411-434

this interaction of multi-dimensional security is important for human security²⁵. The National security and human security are related to each other and should be harmonized²⁶. Traditional security and non-traditional security cannot be separated from each other.

Next, there is a problem in the main agent realizing of human security. Human security puts more emphasis on the global governance rather than the National State, but the role of State is still important even in the field of non-traditional security. A State is a viable means for promoting human security, means to provide the opportunity and system of global governance, and the main agent of constitutionalism for equity. We first need to set the right of the State for human security. The reconstruction of the country is needed when the country threatens human security: in other words, the establishment of a democratic political system is required. We should ask the State to hold responsibility for the failure of realization of human security, demand responsibility by a safe supply of energy for example to keep the human security, and the State should be strong in the energy policy for human security²⁷. The national defense by security forces which is important in traditional security is a significant condition in the energy competition for human security.

IV. Human Security and Energy Security: Turkish and Georgian case

In this respect the energy security is one of the national securities: this last transforms into the international security and forms the international political economy in the competition and conflicts of price, supply and demand. The ancient

countries of the Ottoman Empire in Anatolia, Black and Caspian Sea play an energy herb role in this international political economy by supplying energy from Russia to EU. The various energy pipelines²⁹ of natural gas and petroleum assure these countries of their political stability, economic development and international status. So the energy security policy is crucial to their national security. Turkey needs for the economic development the long-term and safe energy supply from Central Asia and Russia primarily for the human security caused by the explosive population increase³⁰, the traditional military forces for the traditional security ensuring this energy supply, and also the maintenance and management of the desirable relationship with Russia and U.S.A. for the regional security³¹. Furthermore energy security matters greatly to Turkey, which aims at diversifying its energy supply routes and sources, having a diversified energy mix (increase of the share of renewable and inclusion of nuclear energy), and taking significant steps to increase energy efficiency (Republic of Turkey Ministry of Foreign Affairs 2011)³²: this is true not only to Azerbaijan³³ but to the Caspian regional countries as the energy supply sources. It is imperative on Caspian and Black Sea, for the regional energy demand and supply, to cooperate with EU for the three countries-Ukraine, Azerbaijan, and Georgia³⁴. Despite the regional conflicts such as the Georgian-Russian war of August 2008, and the ongoing Kurds problem, Russia and Turkey are two keys both to the national, inter-regional and international security and to human and energy security³⁵.

By these efforts and roles of the countries in Anatolia, Black and Caspian Sea, EU and Russia want the satisfying energy import and export as a consumer and supplier not in the unilateral but in the mutual dependence, but some regional or national security crisis such as the recent Ukrainian tension puts in danger the energy security, and at the same time the human security³⁶. In this case U.S.A. could have a chance to engage in the regional energy security conflicts by

²⁵ Han Kyu Park, "The Changing Concept of Security in the Era of Globalization: Focusing on Human Security", *International Regional Studies*, Vol.11, no.3(Dec. 2007), pp.982-1001

²⁶ Woong Jeon, "National Security and Human Security", *Journal of International Politics*, vol.44, no.1(2004. 4) pp.25-49

²⁷ Bo Hyuk Seo, "The Role of State in Human Security", *Journal of Northeast Asia research*. vol.27, no.2 (Dec. 2012), pp.73-100

²⁸ Tae Hyun KIM, *The Political Economy of Energy Security*, *Review of International Area Studies*. Vol.21, no.3(Fall, 2012), pp.27-62, Seoul National Univ. Research Center of International Studies

²⁹ Many could be indicated as a prepared and preparing one: BTC(Baku-Tiblish-Ceyhan) pipeline, Samsun-Ceyhan pipeline, Turkeyreece-Italia pipeline, SCP(South Caucasus Pipeline) BTE(Baku-Tiblish-Erzurum) pipeline, NABUCCO Pipeline: Jong Jin OH, "The Energy Supply in Turkey and the Energy Security Policy", *Study of Med. Areas*, Vol.13, no.4(Nov. 2011), pp.103-136, Med. Areas Research Center

³⁰ Ik Whan Lee, "Energy Supply Security in Turkey", Internet Source, TaeJeon, Korea Science and Technology Information Research Center, 2010

³¹ Seong Kwon CHO, "The Political Economy of Energy Security in the 21th Century-Turkish Case", *Study of International Affairs*, Vol.8, no.3(Fall, 2008), pp.97-130, Research Center of National Security Strategy

³² Resat Bayer, "Termination of the vendetta of the Black Sea? Stable peace, energy security and Russian-Turkish relations", in *Human Security in Turkey: Challenges for the 21st century*, Ed. by Alpaslan Ozerdem and Fusun Ozerdem, Routledge. London and New York, 2013, pp. 183-197.

³³ Jong Moon Lee, "Energy Security in Azerbaijan and the analysis of Foreign Investment", *Slav Studies*, Vol.23, no.1 (June, 2007), pp.145-174, Russian Research Center

³⁴ Ozgur Unal Eris, "Energy Security and Turkey in Europe's Neighborhood", in *Debating Security in Turkey: Challenges and Changes in the Twenty-Firth Century*, Ed. by Ebru Canan-Sokullu, Lexington Books. New York, 2013, pp.187-202

³⁵ Burcu Gultekin-Punsmann, "Turkish-Russian Rapprochement and the Security Dialogue in the Black Sea-South Caucasus Region", in *Debating Security in Turkey: Challenges and Changes in the Twenty-Firth Century*, Ed. by Ebru Canan-Sokullu, Lexington Books. 2013, pp.173-185

³⁶ Myung Sik MOON, "EU-Russian Energy Relation and Energy Security: Focusing on the Security of Energy Supply", *Slav Studies*, Vol.28, no.3(Sep. 2012), pp.29-56, Russian Research Center

the shale gas in taking some advantages from the changing international energy market³⁷.

In terms of the environmental crisis, the energy security for the hard energy such as petroleum, charcoal, natural gas and shale gas could be defined as the traditional one, and that for the soft energy such as solar and wind energy, as the nontraditional one. But regardless of how it is defined, the energy security is one of the national securities which should be ensured by any means for the political and economic development, and also one of the human securities which could protect the other securities such as economic, food, health, personal, community security and human rights. And the main agent to assure and protect the energy security is not the global governance even though it is national one, but the individual State if it is human one³⁸. This estimation of energy security could be applied to almost every country even to the United States³⁹ and China who are leading the World economy as G2, because energy is essential to wealth and power, to economic development and political stability, and to power economy and manage the environment in the 21st century⁴⁰.

Concluding remarks

Human security has been appeared as a new paradigm for the world development. But the contradictory situation which could be expressed as the coexistence of the universal and particular value, such as the globalization and anti-globalization, internationalism and nationalism, and the human security and national security is making the human security not the new paradigm dominating the traditional security. And also the complexity of and the duality to realize the human security itself cannot displace the old security as is shown in Turkey and Georgia.

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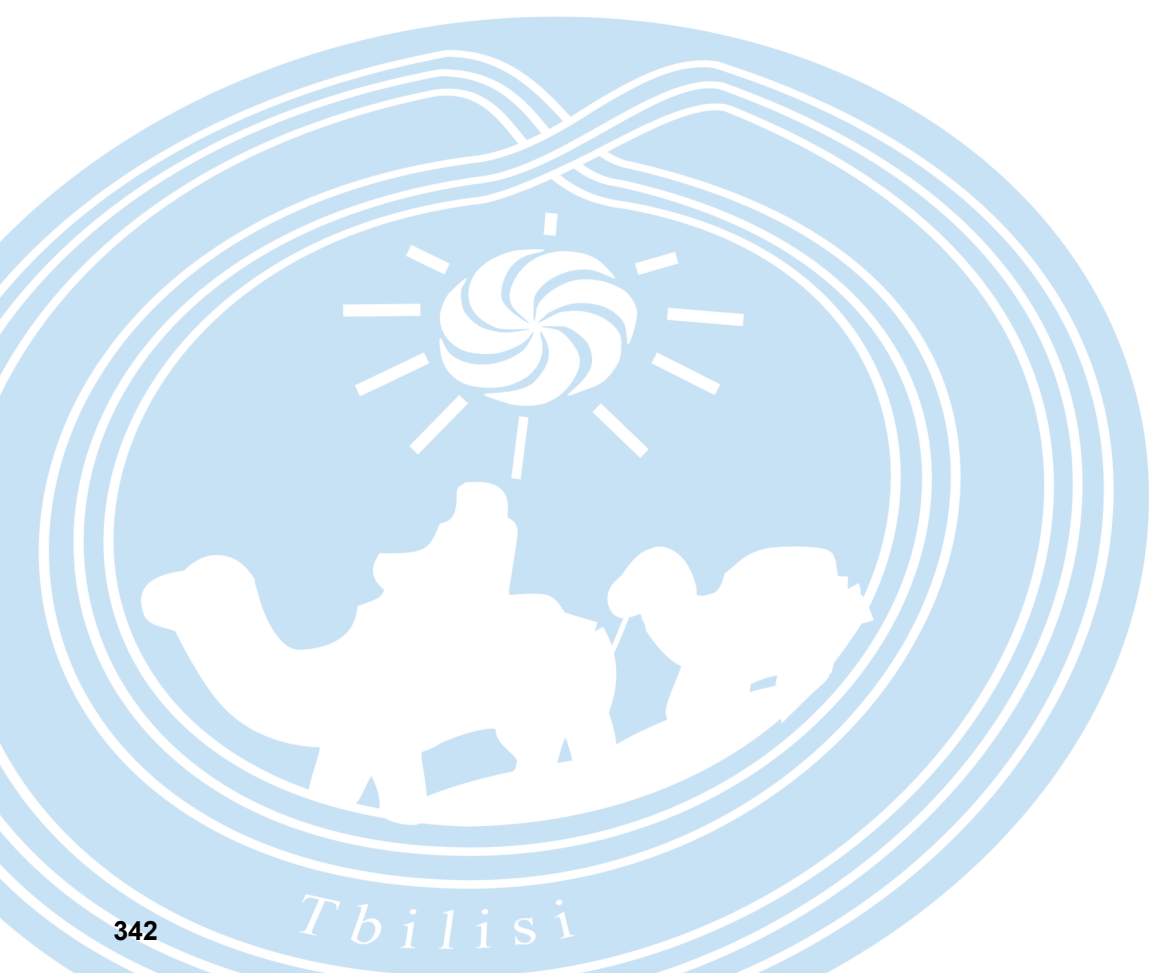
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International Relations

Main Tendencies of the Fighting against Terrorism and Cross-border Crime in the Black Sea/Caspian Region

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Abstract

In the research paper will be discussed the main purpose of the topic, the current geopolitical, socio-economic situation in the Black Sea/Caspian Region. Furthermore, the attention will be focused on the problem of terrorism – including cyber-terrorism in the Region. Particularly, it will be presented materials about list and activities of the main terrorist groups, their negative influence on the security situation in the Black Sea/Caspian Region. After of it, the research will be implemented about the problems, related to the organized crime, illegal migration, illegal circulation of drugs and weapons, money laundering, human trafficking, transportation of WMD etc. Besides, the perspectives of cooperation among of the Black Sea/Caspian Region countries in the field of fighting of Terrorism and organized crime, and also role of the western countries to support such kind of cooperation will be analyzed.

Keywords: gender, globalization, migration, feminization, sex industry, traffickers

Introduction

After the ending of the “Cold War” and disintegration of USSR, the wider Black Sea region – which is located between Europe and Asia has become a new strategic frontier for Europe, Russia and the United States in terms of energy security, frozen and festering conflicts, trade links, migration, and other key policy areas. Prospects for the Black Sea Region in the 21st century will be shaped by the interaction between major external actors, the ambitions of states and peoples in the region, and the region’s role as a crossroads of civilizations.

The strategic importance of the Black Sea/Caspian Region, situated at the crossroads of three important areas - Europe, Middle East and Central Asia – has been traditionally recognized by the players having strategic interests around this sea. However, a complex history and a complicated political environment have obscured the consolidation of a regional identity (Eugene B. Rumer and Jeffrey Simon. 2006. P.8).

I. Positive Aspects in the Black Sea Region

The post cold war period in the Black Sea Region brought lots of positive results. Among those it is necessary to mention the following:

Foundation of the Organization - Black Sea Economic Cooperation (BSEC);

Joining to the NATO Program Partnership for Peace countries of the Region;

Joining to Council of Europe former Communist countries and former Soviet Republics;

Foundation of GUAM with participation of the fourcoun

tries of the Region;

Enlargement of NATO and EU and joining Bulgaria and Romania to the North-Atlantic Alliance and European Union;

Activate the negotiation process between Turkey and EU regarding the joining of Turkey to the European Union;

“Rose revolution” in Georgia and “Orange Revolution” in Ukraine;

Starting the Annual National Program with NATO by Ukraine and Georgia;

Involvement of the several countries of the region to the EU Eastern Partnership Program;

Beginning of the implementation of Global Economic projects with the participation of the States of the Region; 1. Euro-Asian transport corridor 2. Caspian Energy Projects (Chitadze N. 2007. P. 57).

II. Negative Aspect in the Black Sea Region

Above-mentioned facts give us the reason to assume, that in the beginning of XXI Century, Region is more democratic and more secure. However, this part of the world still faces many problems and challenges, which have to be solved by the countries of the Region and on a global level by the International Community. Among those challenges it is necessary to mention the following issues:

Due to the development of communications and transportation means among regions and their “coming closer”

to each other, terrorism and trans-border crime has gradually reached a large scale. Consequently, the necessity of combating trans-border crime became crucial. Georgia's geopolitical location and occupied territories attributable to unresolved conflicts encourage existence of these problems in the country. The increasing of the geopolitical interests of the USA and European Union together with the other "geopolitical players" towards the strategically important Black Sea/Caspian Region sets new challenges and goals for the International democratic community. For example, when there are analyzed particularly interests of USA and EU, it should be pointed out, that the Black Sea/Caspian Region is surrounded by Iran, Middle East and Central Asia Regions, Russian Federation and European Union. This factor is generating active interest for the cooperation with the Black Sea/Caspian region's countries against terrorism and trans-border crime. Western countries are especially interested in the fighting against such illegal activities as: traffic - ing in persons, drugs, weapons and radioactive materials; illegal migration problems, and cooperation against organized crime and terrorism. The cooperation of the USA and European Union and such organizations – as for example is NATO with the countries in the region – which is located on the crossroads of Eurasia is extremely important for the efficient fight against the abovementioned crime

Among of the most important problems of the in the region, it should be mentioned about terrorism.

Terrorist groups still continue to carry out the terrorist acts. In this case first of all should be mentioned about Kurdish terrorist groups in Turkey, existence of the terrorist groups in Chechnya, Abkhazia (Georgia) and Tskhinvali District (Georgia).

Other reason of the expansion of terrorism is aggressive separatism. Separatist, and today already occupied regions represent the uncontrolled territories and create very convenient conditions for the establishment of the terrorist camps, for example, we can mention here the cases of Abkhazia and Former South Ossetia Autonomous District. Occupied territories also represent a good base for illegal trade, especially illegal circulation of drugs. Besides, the biggest problems of separatism is the presence of illegal Armed formations, which are armed with the modern military equipment. In most of the cases the reason of separatist movement is the existence of some states in Black Sea Region, in which official Authorities encourage the separatist movements and terrorist groups in other states by providing de-facto authorities of separatist regions by weapons, financial support etc. One of the clear examples of it is the actions of Russia against Ukraine and Georgia.

The most important problem, which hampers the development of cooperation in the Black Sea Region is existence of confrontations between Russia and Georgia, Russia and Ukraine, Armenia and Azerbaijan, Armenia and Turkey, Russia and Moldova;

Among the economic problems has to be mentioned the problem, regarding the energy security of the region.

Discussing about the terrorism and other types of the illegal activities in the Black Sea/Caspian Region, one of the clear example represents the situation in North Caucasus after the collapse of USSR.

III. Main Aspects of Georgia-North-Caucasus Relations After Collapse of USSR

During the 70 years of the communist dominance, Georgia

was one of the main educational centers of Caucasus. For example, many young people from the North Caucasus region have gained the high education and defended their theses at the Tbilisi State University.

After the starting the National-Liberation movement in Georgia, Soviet authorities promoted the development of separatism not only on the territory of Georgia, but also did their best for the deterioration the relations between Georgians and North Caucasians. The clear example was foundation of the so-called Confederation of Mountain Peoples of the Caucasus.

The foundation of the "Confederation of Mountain People of Caucasus", was one of the projects of Soviet Union and later Russian intelligence services. It was established in order to protect Russian interests in Caucasus and make pressure on those Soviet Republics, which wanted to leave the USSR.

In August 25-26 of 1989, at the First congress of the Mountain People of Caucasus, the Assembly of Caucasus Mountain People was founded. It is interesting to mention, that the so-called congress was held in Sukhumi, capital of Abkhazian Autonomous Republic within Georgia.

In November 1, 1991 representatives of 14 ethnic groups participated in "the Third Congress of the Mountain People's of Caucasus." They made the decision to transform the confederation into a political entity. This entity was presented as a "State", part of which were not administrative-political autonomies, but Caucasus "People". Sukhumi was declared as the capital of "Confederation" (Chitadze 2013, p. 11).

The foundation of the "confederation" in Sukhumi and declaring the capital of Abkhazian Autonomous Republic as main city, when the biggest part of the territories, which were included as part of "Confederation" located in North Caucasus - on the territory of Russian Federation, was clearly showing the main purposes of the "Confederation" on the territory of Abkhazian Autonomous Republic.

The influential field commander (who later was declared by Russian Authorities as Terrorist N1) Shamil Basaev and J. Soslanbekov – an influential Pro-Russian politician, within the period of 1991-1993 where leaders of "confederation". Because of financial and political support, the last one had more influence in Chechnya than former President J. Dudaev.

The ideological base of the "Confederation" was the "New Soviet Constitution", presented by former dissident A. Sakharov according of which, USSR had to be disintegrated into more than one hundred small political entities the union among these territories had to be remained. According to this concept, Georgia was called a "Small Empire".

Final aim of the "Confederation of Mountain People of Caucasus" from the legal point of view contradicted with the legislative base of USSR and later Russia. The basic "program" of confederation was decreasing dependence of Russia on those territories of North Caucasus, which were considered as territory of Russia. But, at the same time, no action of so-called confederates had any resistance from the side of Soviet or Russian authorities until the ending of the military operations on the territory of Abkhazia (Georgia) and Chechnya.

Confederation Againsts Georgia

After four days of the starting the military operations on the

territory of Abkhazia, in August 18 of 1992, at the meeting of the "parliament" of "Confederation of Mountain People of Caucasus", the decision about military assistance of Abkhaz separatists was adopted.

In August 21 of 1992, "Confederation" sent the band formations and terrorist groups to Abkhazia. By the leaders of confederation, territory of Georgia was declared as the zone for the commitment of the terrorist acts. Illegal formations also were sent to Abkhazia by the "Council of Atamans" of Don and Kuban Cossaks.

The armed formations and military equipment of the Russian Army, which was delivered to the different terrorist and separatist groups, were sent to Abkhazia. This process has gained the intensive character, when separatists and band formations of "confederates" brutally violated the cease-fire agreement which was signed in Moscow in September 3, 1992 (under mediation of Russia) and took control over towns near the Georgia-Russian border - Gagra, Leselidze and Gantiadi managed to establish control over Russian-Georgian state border. After that, the military equipment was sent to Abkhazia from Russia without any problems (Chitadze 2013, p. 14).

During the military operations on the territory of Abkhazia, different terrorist groups from North Caucasus have committed the brutal murders against Georgian population. More than 250 thousand people, inhabitants of Abkhazia (ethnic Georgians and other) have become the IDP as the result of massacres, having been implemented by Terrorists, separatists and extremists.

During the OSCE Summits in Budapest (1994) and Lisbon (1996), "ethnic cleansing" against Georgian population on the territory of Abkhazia was recognized.

OSCE Budapest Summit (1994) Resolution on "Ethnic Cleansing" in Abkhazia

"Faced with the alarming situation in the Republic of Georgia, which has been even further aggravated by the recent events in Abkhazia, the participating States reiterated their strong support for the sovereignty and territorial integrity of Georgia within its internationally recognized borders. On the basis of these principles, a settlement of the conflicts in Georgia must be reached. The interests of the multi-ethnic population in the areas of conflicts must also be taken into account.

The participating States expressed their concern about the unilateral acts of 26 November 1994 by the authorities of Abkhazia, Republic of Georgia. This undermines both United Nations and CSCE efforts to promote a peaceful political settlement through negotiations between the conflicting parties in Georgia.

They expressed their deep concern over "ethnic cleansing", the massive expulsion of people, predominantly Georgian, from their living areas and the deaths of large numbers of innocent civilians". (Conference for Security and Co-operation in Europe (CSCE), 1994)

OSCE Lisbon Summit 1996

"We reaffirm our utmost support for the sovereignty and territorial integrity of Georgia within its internationally recognized borders. We condemn the 'ethnic cleansing' resulting in mass destruction and forcible expulsion of predominantly Georgian population in Abkhazia. Destructive acts of separatists, including obstruction of the return of refugees and

displaced persons and the decision to hold elections in Abkhazia and in the Tskhinvali region/South Ossetia, undermine the positive efforts undertaken to promote political settlement of these conflicts. We are convinced that the international community, in particular the United Nations and the OSCE with participation of the Russian Federation as a facilitator, should continue to contribute actively to the search for a peaceful settlement". (Organization for Security and Co-operation in Europe (OSCE), 1996)

After the ending of the military operations in Abkhazia, head of the terrorist group - Sosnaliev on the post of the "Minister of Defense" of Abkhazia has been appointed.

Support of North Caucasian Illegal Band Formations to Russia during August 2008

The support of separatists from the North Caucasus side has been strengthened before the military aggression of Russia against Georgia in August 2008, when Russian officials directly encouraged the deployment of the band formations from North Caucasus in the separatist Regions of Georgia. One of the most active military units was Chechen battalion "Vostok".

Taking into consideration the above-mentioned fact, Russian involvement in state sponsored terrorist activities, which is strictly condemned by International conventions and resolutions, is obvious. UN Resolution on "State Terrorism" strongly condemns terrorism.

UN Resolution on State Terrorism

Inadmissibility of the policy of State terrorism and any actions by States aimed at undermining the socio-political system in other sovereign States. UN Resolution 39/159

"Noting that all this seriously endangers the independent existence of States and the possibility of ensuring peaceful relations and mutual trust between them and leads to a sharp exacerbation of tensions and a growing threat of war.

Reaffirming the inalienable right of all peoples freely to determine their own destiny and the course of their development convinced that the interests of maintaining peace require that relations between States, regardless of ideologies, should be based on strict observance of the Charter of the United Nations, as well as on generally recognized principles and norms of international relations, inter alia, renunciation of the threat or use of force against the territorial integrity or political independence of any State, non-intervention and non-interference in the internal and external affairs of States, permanent sovereignty of States and peoples over their natural resources self-determination and independence of peoples under colonial domination, foreign occupation or racist regimes, categorically rejecting all concepts, doctrines or ideologies intended to justify actions of States aimed at undermining the socio-political system of other States, resolutely condemns policies and practices of terrorism in relations between States as a method of dealing with other States and peoples;

Demands that all States take no actions aimed at military intervention and occupation, forcible change in or undermining of the socio-political system of States, destabilization and overthrow of their Governments and, in particular, initiate no military action to that end under any pretext whatsoever and cease forthwith any such action already in progress; Urges all States to respect and strictly observe, in accordance with the Charter of the United Nations, the sovereignty and politi-

cal independence of States and the right of peoples to self-determination, as well as their right freely, without outside interference and intervention, to choose their socio-political system and to pursue their political, economic, social and cultural development" (Aleksidze L., p. 286).

Lapankuri Incident

In August 29, 2012, at 6:10, the Georgian Interior Ministry has detected at the border with Dagestan armed group. In Georgia, near the Dagestani section of the Georgian-Russian border, the Georgian security forces found armed group, said the Minister of Interior. At the same time, according to the different sources, the police blocked the road through the village Lapankuri Telavi region (Eastern Georgia).

The Georgian mass-media reported that in the woods near the village Lapankuri located on part of the boundary in the direction of Dagestan, five young people were missing around the age of 25 who have gone on August 26 in the woods and has not returned. Local residents said they could be held as hostage or be kidnapped. Later, the Georgian Interior Ministry said that the missing men were found and returned home, said "Georgia online". The details of the disappearance of young people and their detection was not reported.

According to the information of Georgian and Russia information agencies, as the result of the battle between the Georgian security forces with the an unknown armed group, discovered near the Russian border near the village Lapankuri, (11 militants were killed¹). Losses incurred in the Georgian police too: Three people were killed - two commandos and one medical office. Previously, the Georgian law enforcers managed to free two hostages held by militants. According to the young people, they were returning from a picnic when they met bearded armed men on the road. There were about 15 people with them, they had machine guns and grenade launchers. Hostages were threatened with death if they tried to escape.

In its turn, the Georgian channel "Imedi" reported that on the territory of Georgia and Dagestan infiltrated a group of about 20 heavily armed militants. Within three days, they had captured three groups of local residents, a total of about 10 people. The day before, the largest group of 5 people, were released. (Ivanishvili, 2012). In its turn, for hiding the Russian involvement in the incident, the Russian security services said that no violations of the Russian-Georgian border in recent days were recorded, from both sides, "Interfax"². But, at the same time, law enforcement source in Dagestan mentioned that members of the armed formations were representatives of the Tsuntin bandit group. According to this version, the militants have moved to Georgia, hiding from security forces in Dagestan. "If they want to go back, we are here to meet" - the source added (Kalatozishvili, 2012). After the ending of operation, the announcement was made by the President of Georgia Michael Saakashvili. According to the Head of the State, "Georgian authorities will not allow the export of tensions to the another area for the complication relations with its northern neighbors."³ President noted that in the 1990s, "when the northern neighbor of Georgia in the North Caucasus had big problems and instability oc-

curred due to the Caucasus, it had exported these problems on the territory of Georgia." Everything, which was followed to those facts there are all known events in South Ossetia and Abkhazia regions and in the Pankisi Gorge, there were a lot of other negative events that have affected the development of Georgia," - said the Georgian president. He stressed that "the latest attempt to export the new wave of tension and instability in Georgia from its northern neighbor will be suppressed on the vine." It was also added, that "Georgia's intention is to be represented as peaceful country within the Caucasus, region with a common culture, politics, the economy, as a people with a common political and historical interest." He stressed that "the country has very well trained and prepared law enforcement authorities, and the authorities of Georgia have the political will to protect and preserve the country's citizens and to achieve peaceful development of the Georgian statehood" (Caucasus Report, 2013).

IV. Perspectives of solution the security problems in Black Sea Region

In spite the existence of many problems in the Region, especially related to the Terrorism and other type of trans-border crimes, positive tendencies, about which it has been mentioned in the beginning of the article, give us the reason to say that there are possibilities for solving security problems. First of all, the most important factor is the NATO enlargement and it's raising role in the world's global security environment.

After the fact the new members of Baltic and western coast of the Black Sea region joined NATO, the main strategy of the Alliance can now include more intensive cooperation with the former soviet republics from the Black Sea Region. The same we can say about the EU policy toward the countries of the Black Sea/Caspian Region in the framework of EU Eastern partnership program. One of the part of this program also takes into consideration the development of cooperation in the field of security, particularly related to the fighting against terrorism and trans-border crime.

Economic aspects are very important for the solution of the security problems in the Region. Economic development can create new jobs and accordingly decreasing the intension of some people to be involved in the illegal activities. Economic development, can defeat separatism, because de-facto authorities and population of the separatist regions will be willing more to be integrated into the country, which they are separated from.

Among the economic aspects for solving security problems in the Region, implementation of international economic projects are key to mention. In these projects many states of Europe and Asia – including countries from Black Sea Region are engaged, which clearly demonstrates the process of Globalization. First of all, it is project of Euro-Asian Transport Corridor and revival of the 'Great Silk Road.' Starting from the 8-7 century B. C., states of Asia (China, India) had very close relations with antique Greek cities and later regions of Roman Empire through the territories of modern Turkey, Caucasus Region, western part of the Black Sea cost. The territory of the 'Great Silk Road' included several routes on

¹ 3 commandos and 11 militants killed in Georgia hostage rescue attempt, The Independent, 29 August 2012

² Special forces base attacked in Dagestan, 2 soldiers killed, Interfax / Voice of Russia, Aug 28, 2012

³ Georgian president visits security operation area, Interfax / Voice of Russia, Aug 30, 2012

the way between Europe and Asia but the most important territory represents Black Sea Region.

In September of 1998, the International conference called 'Revival of the historical silk road' was held. The representatives of 32 states including of course states from the Black Sea Region and 13 International Organizations attended the conference. Participants signed an agreement on the beginning of the construction works for the creation communication and transport corridor of Eurasia. Today, the main coordinator of TRACECA (Transport Corridor Europe-Caucasus-Asia) is the European Union funded - TACIS program.

One of the clear example of the transport projects represents Baku-Tbilisi-Akhalkalaki-Kars Railway project.

Negotiations about starting the construction of the railway line were going on several years and in the beginning of 2007, representatives of Azerbaijan, Georgia and Turkey signed an agreement about project beginning in the second half of 2007. By this route will be possible to transport oil from Kazakhstan and Azerbaijan toward the Turkish ports and oil-refinery stations with perspective of the further export of oil and oil products to the west including countries of Black Sea region. If the project is implemented, circulation of commodities by the "TRACECA" line will be increased on 20 million tones (Chitadze N. 2011. P. 639).

V. Energy Projects which are implemented in the Region

Oil and Gas are the main sources of energy and their share is more than 60% in the world fuel economy and according to the forecast of experts, demand on oil will be increased about 25-30% for 2015. At the same time most of the countries of the Black Sea Region represent oil and gas importers. In this regard states of the region are trying to find the different alternative ways for the import of the energy resources. In this case one of the key role can play Caspian energy projects, where can be involved both-oil and gas-producers and oil and gas-importers of the Region.

Because of significant amount of oil and natural gas in Caspian Region – 200 Billion Barrels (32 Billion Tones) – Caspian Sea region has become the area of strategic interests of many leading Countries of the world. America and other democratic and economically developed states during the last several years are seriously considering extraction and exploration of Caspian Oil and Natural gas, which is a very important political and economic factor. One of the priorities for western states is to avoid the dependence on politically unstable Middle East and Russia, to find the alternatives sources in the oil-rich regions and to allow their oil companies to explore oil fields there (McCarthy, J. 2000. P. 21).

Conclusion

The cooperation between the Black Sea/Caspian basin countries on the one hand and their cooperation with the International democratic community on the other for struggling and combating terrorism and other types of the trans-border crime is an issue of interest for each and every stakeholder. The countries should benefit from the International community's interest and receive needed assistance in the format of cooperation. The assistance may include sharing experience, technical assistance, development of a uniform policy and standards etc. State agencies controlling the borders should become the main weapon in the process of

combating trans-border crime. These agencies are Border Protection and Customs Service. The ultimate goal for the measures implemented in this field should be the establishment of a *modern integrated system of border control*, which naturally comprises cooperation between the states of the region with each other and with International community in general.

Crimes such as trafficking in persons, drugs, weapons and radioactive materials, problems of illegal migration, cooperation against organized crime and terrorism are not yet adequately researched. Extensive research on the factors causing the crime, encouraging conditions, existing tendencies, and prevalent schemes and mechanisms for committing crimes has not been conducted so far. Therefore, complex mechanisms of measures and steps for combating the crime have never been developed. The review of the existing situation in this area is more of a general nature which once again demonstrates the need for conducting broader researches on these issues.

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Lawful Resistance of Attempted Crime

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Abstract

The problems of lawful resistance belong to the "Poor Attempt" by research. The Institute of "Poor Attempt" is directly related to the problems of checking the Lawful Resistance of Attempted Crime. Therefore, we believe that the "Poor Attempt" would be considered during the analysis of subjects of Lawful Resistance of attempted crime.

The mentioned methodological approach lies in the fact, that the "Poor Attempt" with its nature is related to the factual error, as far as, as the result of human's erroneous imagine on the reality existed in the world, the crime remains unrealized. The factual error, which excludes Lawful Resistance, at the same time excludes the intention. In research, the "Poor Attempt" is divided into attempt on the wrong object and attempt with poor means, as it is accepted in Georgian Juridical Literature.

In this direction, there is shared the consideration, that is the immediate object of attack with its features is suitable for imple-mentation of the crime, but in this particular case any accidental circumstances prevented the finalization of the crime, in this case, it's impossible to talk about unsafe attempt and this case should be punished, as all other efforts. In research, there's shown, that attempts with the wrong means and common rule, lead to criminal liability, because such action is dangerous. Only in rare cases, the "Poor Attempt" doesn't cause the Criminal Liability.

In the Study, there's rejected the importance of delineation of the completed and uncompleted attempts. The purpose of separation from each other of the completed and uncompleted attempt of the crime is only the accurate determination of the action or inaction required for voluntary refusal on the crime. As a rule, at the time of the uncompleted attempt, voluntary refusal on the crime becomes with inaction, but at the time of completed attempt it's necessary the active action.

Keywords: Crime, Attempted Crime, Lawful Resistance

According to M. Turava, the error may be related to any element of the system of crime, also to illegality and fault. Thus, according to the current classification there are two groups of mistakes indicated in the system of criminal offence. The first one represents those mistakes, which at the stage of component of action are considered in connection with deliberation and cases of mistakes given in the second group are considered at the stage of fault. In the first group actual character is considered on the stage of composition conditions of and on the second stage of guilt (3). Some German scientists have the same opinion as well. According to them, ignorance of the fact, which excludes illegality, excludes deliberation as well (12). Solution for justification of punishability of unrealized attempt had been found in new objective theory, developed in German legislation, where attention is drawn to the store of knowledge, disposed by any person with average knowledge at the moment of performance of action. According to the theory, from the perspective of the objective observer the attempt of action is considered to be unrealized and not dangerous provided that it is not suitable to be used as a component of action (11). Consequently, we should consider attempt as realized when during performance of the action the observer has an impression that with performance of the action the person is capable of achieving of corresponding aim (10). By this theory, unrealized attempt is divided into dangerous and not dangerous from observer's point of view. Consequently, not dangerous or unrealized attempt is not punishable and the action containing danger is punishable (2).

Professor O. Gamkrelidze divided the attempt into two types: "1) attempt with inadmissible means and 2) Attempt of damaging unsuitable legal interests" 1). Which is more correct. During such attempt the action is directed on the object, which is unfit for its faulty encroachment, or at the moment of performance is not on-site. As an example they cite shooting a dummy, which was mistakenly taken as a security by the criminal. According to T. Tsereteli, if the direct object of an attack by its features is fit for committing a crime, but at this particular case the performance of a crime has been hindered by any circumstance, than it can't be considered as unrealized crime and this action should be punished as an attempt. T. Tsereteli reckons that the issue should be settled other way in case when the object of an attack by its features is unfit for achieving of criminal result. Shooting a corpse cannot be considered as an attempt of murder. At such cases there is not an attempt but a prior activity. Also the issue of an attempt on the object, which is not on the spot, should be considered otherwise. For example, the person shoots in direction of the bed, which according to him the victim is located, but the latter was not there at that very time. In such case, the criminal has created a real danger to one's life, but the criminal result hasn't been achieved due to a pure accident, that is why such action should be considered as punishable attempts (4). In case of an attack on the object, which is not on the spot there are all conditions to qualify the action as an attempt of the crime. According to the Criminal Law of Georgia, in case of an attack on object, which is not on the spot, there are all conditions for qualifying the action as an attempt of committing corresponding

crime, as the result hasn't been achieved only because of unexpected circumstances (4).

There is also a contrary opinion. Subjective theory easily explains punishability of an attempt by the object, which is not on site, as the ground for punishment is preconditioned by one's will, which is revealed in an attempt of the action. According to objective theory, it is quite hard to give coherent justification of an attempt of an attack on the absent object "An attempt is considered to be unrealized if it is performed by means, which according to their objective features, can't cause criminal result" (6). Attempt by inappropriate means is an ignorance of fact, which happens when the article, used for achieving of result, is inappropriate for realization of an attempt.

In Georgian law an attempt committed with an inappropriate article is divided into absolutely inappropriate and comparatively inappropriate. During an absolutely inappropriate attempt a person uses such means, which are inappropriate not only in this particular case but for achievement of any criminal result. In such case responsibility of the person is excluded (Article 20 of the Criminal Code of Georgia). As to an attempt performed by comparatively inappropriate means, it is considered to be the case, when the used article has general features for achievement of faulty result. But in a particular case it can't be achieved. Comparatively inappropriate attempt is considered to be punishable attempt (2).

There are two types of „Inappropriate means“: “Absolutely inappropriate” and “Comparatively inappropriate”. Such division has a principal importance for determination of criminal liability. Sometimes, attempts performed by inappropriate means are considered to be such cases, when a person chooses means, appropriate for achieving result. The above occurs when a person chooses means, appropriate for achieving criminal result but has made a mistake and has not achieved result. Such actions should cause criminal liability.

An unreal attempt may be justified in two ways: the action performed during unreal attempt does not correspond to an attempt of committing a crime; it is a conditional concept to which rules of an attempt does not apply. Unreal attempt is only a demonstration of an intention and not an attempt. It may be also asserted that we deal with unpunishable unrealized attempt (1). Supporters of punishment of an inappropriate subject reckon that the person should be liable as his will contradicts to legal norms (8). On the basis of objective theory punishment of such attempt may not be justified, that's why part of scientists consider concept of inappropriate subject as putative crime (9). During the inappropriate attempt the person is mistaken in such actual conditions, which would have caused crime, provided that occurring in reality. If the person is mistaken in legal treatment of actions, performed by him and considers the action, which is not punishable as punishable; he should not be prosecuted as one's opinion concerning punishability has no meaning.

Putative crime is an action, which is considered to be a crime by a person and not the law (7). The crime is putative, when the person considers his own action as a crime and in reality such action is not stipulated at the Criminal Code, as well as the case, when the actions, performed by a person does not contain features of the crime, stipulated by the Criminal Code; and lastly, when a person is narrowly considering circumstances excluding illegality of the action (2). According to opinions characteristic for Georgian Criminal Code voluntary stopping of crime in the way of unrealized attempt simply by inactivity and in case of realized attempt requires one's activity in order to avoid criminal result.

According to O. Gamkrelidze, it is not necessary to sep-

arate realized and unrealized attempts. According to him, the aim of separating realized and unrealized attempts is only a precise definition of action or inactivity required for voluntary stopping of crime (1). In general, during the unrealized attempt, voluntary stopping of crime is performed by means of inactivity, while the realized attempt requires activity. O. Gamkrelidze cites an example, confirming possibility of voluntary stopping by inactivity during the realized activity. If one fires a gun to a victim and misses, notwithstanding that this person has another opportunity to shoot, but he will not shoot again, according to Gamkrelidze, this is example of voluntary stopping of realized attempt by means of inactivity. We can not agree to this opinion, provided that person has another opportunity to shoot it means that the attempt is not fulfilled yet as the criminal has not used all opportunities for fulfilling the crime, which is a compulsory condition for an realized attempt.

Nonperformance of obligatory activity during inactivity is also considered as a completed crime, that's why attempt of crime is dogmatically impossible during the inactivity period; we can only speak about its unrealized attempt or preparation. Compound inactivity allows possibility of attempt of committing a crime (5). In delinquency of compound inactivity voluntarily termination of committing a crime by the executor at the stage of an attempt is possible as by the actions also by inactivity.

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International Relations

Assessing the NATO Enlargement Policy at Caucasus Region

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Abstract

Aim of this paper is to analyze the NATO Enlargement policy toward the Caucasus region. Since the outset the member countries (except Russian Federation) of old Warsaw Pact and three Baltic States of the collapsed USSR have acquired NATO membership, while the Caucasus countries are still endeavoring to reach the same membership. Various factors have played significant role at the delay of Caucasus countries attainment of NATO membership. In a summary, the following issues can be considered as the main factors at the interruption of NATO enlargement around eastern Black Sea and Caucasus Regions. These are the Russian strong counterstance; the unwillingness of other big member of NATO, likes Germany, enlarging NATO beyond Eastern Europe borders; instabilities in the region aroused from ethnic, religious and cultural conflicts; the partial change at the Washington Policy toward region with the Obama Presidency which gave the priority to Pacific and Eastern Asian issues at the American foreign policy and, the lack of internal unified national efforts at Ukraine and Georgia to be NATO member. NATO keeps contacting with the region countries, for preparation full membership in future, by establishing strong ties such as pursuing active political dialogue and practical cooperation in support of those countries reform efforts and their Euro-Atlantic aspirations .

Keywords: NATO Enlargement, Georgia, Ukraine, Caucasus, instabilities

Introduction

Caucasus region has become the one of the most destabilized regions after the collapse of Warsaw Pact and disintegration of the Union of Soviet Socialist Republics (USSR). The frozen problems kept under control during Communist era have emerged and the ethnic, religious, sectarian and sometimes ideological disputes have ignited the competitions, conflicts and large scale wars at the region. The destabilized factors have started to negatively affect the region itself and others areas surrounding Caucasus.

Newly established states have started to enjoy being independent after the 80-year -communist rule and most of them have seen Western ideologies as their new path for their future. The USA and NATO have initiated some project in order to satisfy newly established states' aspiration of being the member of Western family. NATO Partnership for Peace (PfP), Intensified Dialogue (ID), and Membership Action Plan (MAP) have been the main key partnership process before full membership. The aspirations of new states' being NATO member and the desire of NATO to grant NATO membership to those countries have converged. The USA and other Western states have also seen those partnerships and dialogue processes to prevent destabilization factors from spreading to Western.

After disintegration of the USSR, Russia was heavily involved in internal problems and gave less attention to happening at old Soviet area. However, Russia has seen the development at his near abroad as threat to her interests since the middle of 1990s. So, she became again a main determi-

nant actor at the Caucasus and other old Soviet regions. So, the Caucasus has become rivalry zone among big players. Many diverse factors have played role at this rivalry. The issues of geopolitics, energy and sphere of influence have

seemed being effective at this competition.

This paper first analyses the importance of Caucasus region, then the relations of Caucasus states and NATO will be studied. The enlargement policy and the factors affecting NATO enlargement policy will be examined in next separations. Finally, the paper will be finalized with a general assessment.

I. The Caucasus: A Venue of Instabilities

Caucasus has had geo-strategic importance since early history; it has been interlock of different directions and regions. It can connect Central Asia to Balkans and Europe; it can also link upper side of Russia to Iran, Anatolia, Mediterranean and the Persian Gulf and versa. The Caucasus had also hosted 'silk road' used for transferring Chinese goods to Europe. Historically, it has become the rivalry area for the actors to control and occupy around Black Sea. During World War Second it was the main target of Hitler for valuable petrol reserves needed for the German Army. During the Cold War, the Caucasus was the weakest part of the Soviet as it provided the fastest and easiest way to access the Soviet heart, as described "pivotal land" by Mackinder theory¹.

¹ Halford John Mackinder published article with "The Geographical Pivot of History" title that expressed his Heartland Theory regarding the importance of the land mostly occupied by Tsarist Russia.

Besides, geo-politics importance, region's natural energy reserves and its energy transit capacity makes Caucasus receive critical status in terms of geo-economics. The Caucasus is a potentially important source of, and transit route for, oil and natural gas. The Caucasus gas capacity can cover Caspian and Black Sea areas in terms of geo-politic stance². The Caspian Basin accounts for 1-4% of global oil reserves and roughly 6% of global gas reserves. These are located for the most part in Central Asian littoral states (Kazakhstan and Turkmenistan), but also in Azerbaijan³. However, combining with Black Sea littoral states the region natural gas capacity has significant capacity to provide an alternative option against Russian gas monopoly, so it will help to decrease the dependency of Europeans to Russian gas export. Additionally, Caspian gas option can leverage gas price. This has been expressed by Khelashvili and Macfarlane as "... Caspian Basin oil and gas are significant in American strategy for three reasons. Oil supplies at the margin can have significant price effects, and this gives the United States and other consumers an interest in access to these reserves. Moreover, although the United States accesses a wide range of energy sources, continental Europe has developed a significant dependence on Russia for gas"⁴.

The Caspian basin strategically emerges as a non-OPEC huge source of oil and natural gas situated between the Middle Eastern and Russian energy networks, where apart from Russia, all external actors are newcomers⁵.

The breakdown of the USSR has provided opportunities for other international actor who has strategic aims for the region. First of all, it was easy to reach the Caucasus since there was no major player controlling the area. Second, it has provided the small states to enjoy their independence as to which direction they desire to be sided. Russia, the U.S., Turkey, Iran, the Commonwealth of Independent States (CIS), and the OSCE are the some of the states and organizations that have interests in the region and a stated agenda to promote security and stability, as they define it, in the region⁶. However, the main player among those actors has been the USA which wanted to fill the power gap in the region and reshape the region toward the post-Cold War design.

However, since 1991, the three South Caucasus states are undergoing huge transformations regarding institution-

building, state-building, identity-building, border strengthening and setting up of effective foreign and military doctrines⁷. On the other hand, the USA and the European Union wanted to reshape the world as they desire post-1990. The main issue was to expand Western's sphere of influence toward the old Warsaw Pact member's zone. The American interest regarding region has been amplified with the Second Bush presidency and 9/11. The terror act against America led Washington to spreading the norm and values of democracy, freedom and liberal thoughts across third World Countries considered to host and facilitate terrorism as a tool for their political agenda. Colored revolutions in Ukraine and Georgia can be perceived in this perspective. Therefore, the enlargement policy has been invented to embrace those countries and almost all Eastern and Central Europe countries became EU and NATO members at last two decades. However, Caucasian countries have not been able to access that membership because of authoritative Russia, lack of economic, political and legal competence. Cold War legacies still shape mutual perceptions. Russians still view NATO as an anti-Russia organization which remains a threat to their security, despite NATO's clear statement that the Alliance is defensive and not directed against anyone⁸.

Besides, the Afghanistan and Iraqi operations has made the region critical place in terms of providing logistics route to the operation area. According to Americans, the security of Euro-Atlantic has required to fill the security deficit surrounding Western world. This surrounding area has included the Caucasus as well. The Caucasus has been deemed to protect the notably Europe from security threats emerged from Central Asia and Middle East. So, the need for institutionalized security arrangements to manage, reduce and if possible resolve the security threats in the Caucasus has become palpable⁹.

Although the Caucasus has politic and economic importance, it has inherently had some adverse features. We should not forget that the South Caucasus region was plagued by conflict and instability long before the area achieved independence¹⁰. In addition to ethnic tensions, all three countries have been afflicted by the use of violent means to alter the leadership of the respective states¹¹. Furthermore, the event, which led to their independence, melted with widespread nationalism, ethnic strife, weak statehood and Soviet-era misgovernment triggered inter and intra-

² For the Black Sea Security, see Sertif Demir, Demir, "Karadeniz'in Güvenliğini Yeniden Düşünmek" (Rethinking Black Sea security), Karadeniz Araştırmaları Dergisi, Cilt: 9, Sayı: 35, Güz 2012, 19-50.

³ George Khelashvili and S. Neil Macfarlane, "The Evolution of US Policy towards the Southern Caucasus", Uluslararası İlişkiler, Volume 7, No 26, Summer 2010, p. 109; Sertif Demir, "Karadeniz, Kafkasya ve Hazar Bölgeleri Enerji Kapasitelerinin Türkiye'nin Enerji Güvenliği Açısından Önemi" (The Energy Capacity Importance of Black Sea and Caspian Basin in terms of Turkey's Security), Kafkasya ve Uluslararası Kafkasya Kongresi /International Caucasia Congress, 26-27 Nisan 2012, Kocaeli, 616-634.

⁴ Khelashvili and Macfarlane, op.cit., p. 109.

⁵ Sargis Ghazaryan, "The Theory of the Three Seas Security, Dynamics and Paradigms of EU Peripheral Regionalization", 107-113, <http://www.openstarts.units.it/dspace/bitstream/10077/2098/1/cap10.pdf>, p. 109, accessed 2 May 2014.

⁶ Svante Cornell, "Nato's Role in South Caucasus Regional Security", Turkish Policy Quarterly, Vol. 3, No. 2, 2004, 123-134, p. 128

⁷ Ghazaryan, op.cit., p. 108.

⁸ Oksana Antonenko and Bastian Giegerich "Rebooting NATO–Russia Relations", Survival, Vol. 51, No. 2, April–May 2009, p. 14.

⁹ Cornell, op. cit., p. 125-126.

¹⁰ Ibid, p. 123.

¹¹ Ibid, p. 125.

state conflicts, however, generally against a background of religious strife¹². However, current U.S. and allied policies in this region focus on the new-type security threats associated with international terrorism, mass-destruction-weapons proliferation, arms and drugs trafficking¹³. The main issue is to prevent spread of those new-type security threats to Europe. However, although region has sophisticated threats, Caucasus is still relevant for the purposes of ongoing military operations in Afghanistan and remains prospective transit area for the planned withdrawal of forces in 2014¹⁴.

II. The NATO Policy at Caucasus

NATO as a collective security organization has globalized after the demise of Cold War notably, post 9/11. The globalization of NATO has come true through enlargement process¹⁵, accepting new strategic concept focusing on prevention new threats and risks and finally conducting out of area operations. However, the enlargement of NATO is the main step of globalization of NATO. Because, the enlargement process has the concrete results in terms of providing collective security.

NATO's post-Cold War enlargement policy is based on the goal of reintegrating a fragmented Europe and a strategy of establishing a wide base of supporters to counter newly formed and developing threats¹⁶. NATO, as Western collective security organization, has been used as main tool to connect old Warsaw pact members or newly independent states after disintegration of Soviet Union. Furthermore, As NATO globalized, it has faced many challenges and risks that needs to be dealt with. So NATO has increased its engagement with diverse regions, actors and states. Therefore, as expressed by Cornell, "NATO's increasing engagement is a direct result of the Alliance responding to the ever-growing security interests in the Caucasus, Central Asia, and the Wider Middle East"¹⁷.

According to NATO enlargement policy, countries that are interest in joining the Alliance are initially invited to engage in an Intensified Dialogue (ID) programme. Aspirant countries may then be invited to participate in the Membership Action Plan (MAP) to prepare for potential membership.

They are also expected to meet certain political, economic and military criteria, which are laid out in the 1995 Study on NATO Enlargement¹⁸. In this context, PfP concept has become a magic key instrument that attracted subject countries which saw NATO as their new nest. Partnership approach has been employed to respond new state's security needs and their desire to be part of Western family. After successful implementation of PfP NATO Leaders at Madrid Summit 1997 approved "open door" policy toward enlargement. In this context, the first enlargement decision was also held at Madrid Summit, the second enlargement decision was taken at Prague Summit, 2002 and third one was in 2008 Bucharest Summit. At the post-Cold War era, the number of NATO country members has reached to 28 which means additional 12 new members.

"North Atlantic Cooperation Council" (NACC) was established in 1992 and renamed as Euro-Atlantic Partnership Council (EAPC) in 1997 to coordinate partnership concept and implementation. Consequently, Partnerships and dialogues encompassing PfP, Mediterranean Dialogue (MD), and Istanbul Cooperation Initiatives (ICI) were established. NATO, Allied leaders had also decided to establish a Political and Partnerships Committee (PPC) to be the center for implementation of the reforming April 2010 in place of NACC. Within this framework, NATO Foreign Ministers endorsed the new partnership policy developed and agreed upon with partners in the NATO Foreign Ministers' Meeting in Berlin on April 14–15, 2011. The "Berlin Package" covering two documents was issued, with the aim of deepening and broadening NATO's existing partnerships¹⁹.

In summary, NATO's partnership policy has been one of the main components of the Alliance's response to the post-Cold War era, as well as a limited bond with the countries in Central Asia and South Caucasus. Moreover, NATO's PfP is the only multilateral security mechanism that actively involves all three states of the South Caucasus²⁰.

The strategic aim of NATO policy will be first of all to strengthen the independence and stabilization of the states in that region. This could be done by supporting democratization of political life and internal reforms. More active engagement of NATO in Transcaucasia also depends on its relations with Russia which perceives this region as its zone of influence²¹.

¹² IGhazaryan, op. cit., p. 108.

¹³ Vladimir Socor, "NATO Prospects in The South Caucasus", Report, The Central-Asia Caucasus Institute, JHU, 2004.

¹⁴ Mamuka Tsereteli, "Why The South Caucasus Needs A Stronger U.S. and European Policy", 15 May 2013 <http://cacianalyst.org/publications/analytical-articles/item/12732-why-the-south-caucasus-needs-a-stronger-us>, accessed 13.3.2014).

¹⁵ Enlargement policy was critiqued by some analysts. For example George Kennan, described this policy as "the most fateful error of American policy in the entire post-cold-war era" (George F. Kennan, "A Fateful Error," New York Times, February 5, 1997, p. A23 quoted from. "The Future of NATO Enlargement", <http://www.brookings.edu/~media/research/files/reports/1999/4/nato%20daalder/reportch3>, NATO in the 21st Century, accessed 29 April 2014.

¹⁶ Vahit Erdem, "NATO'S Enlargement Policy in the Post-Cold War Era", HDN, 7.27.2010, <http://www.hurriyetdailynews.com/default.aspx?pageid=438&n=nato8217s-enlargement-policy-in-the-post-cold-war-era-2010-07-27>, accessed 29 April 2014.

¹⁷ Cornell, op.cit., p. 129.

¹⁸ NATO Enlargement, http://www.nato.int/cps/tr/natolive/topics_49212.htm, accessed 29 April 2014.

¹⁹ Arif Baslioglu, "Beyond Afghanistan NATO's partnership with Central Asia and South Caucasus: A Tangled Partnership?", Journal of Eurasian Studies, No. 5, 2014, p. 94.

²⁰ Cornell, op.cit., p. 129

²¹ Mamuka Tsereteli, "Why The South Caucasus Needs A Stronger U.S. and European Policy", 15 May 2013 <http://cacianalyst.org/publications/analytical-articles/item/12732-why-the-south-caucasus-needs-a-stronger-us>, accessed 13 March 2014.

Georgia

As for the Caucasus region NATO has implemented partnership policy toward Georgia, Armenia and Azerbaijan. Among those countries Georgia was the first aspirant to cooperate with NATO. Georgia established diplomatic contact with NATO in 1992 when it joined North Atlantic Cooperation Council (NACC). Georgia was again the first state joining NATO's Partnership for Peace program in 1994. Subsequently Georgia was able to reach Individual Partnership Program with NATO (IPP) in 1996. NATO began ID with Georgia on Membership Issues September 2006. ID has afforded Georgia the opportunity to intensify relations with NATO, to enter into a deeper political dialogue, and learn more profoundly about NATO standards. Based on the country's progress in implementing IPAP and ID, Georgia formally requested a MAP in March 2008²².

Georgia has maintained a close military partnership with the United States since breakaway from the Soviet Union. Both countries bilateral relations culminated after 9/11 when the USA started to conduct the campaign of "war on terror". Georgia has greatly benefited since the US launched the global war on terror²³. The USA provided immense support for Georgian NATO membership in NATO Bucharest Summit in 2008. However, this support was not well received by France and Germany as both countries were skeptic about the Russian reaction. France and Germany did not approve the Ukraine and Georgian NATO membership decision in 2008 as they have been heavily dependent of Russian energy resources. Additionally, following the 2008 August War with Russia, some alliance members were skeptical about Georgia's membership aspirations²⁴. However, this decision has not stopped Georgian aspiration of being member of NATO. Kogan has expressed as "it is indeed correct to say that NATO failed Georgia, but thus far Georgia has not failed NATO"²⁵. Due the threat that Russia posed to Georgia, a NATO-Georgia Commission was established and tasked with overseeing implementation of successive Annual National Programs intended as a substitute for a MAP. At NATO's Lisbon summit in 2010, participants reaffirmed the commitment enshrined in the Bucharest summit communicate that Georgia would eventually join the alliance²⁶.

Georgia has thought if she actively supports NATO operations, it would facilitate Georgian NATO Membership

journey. Notably active participation in the ISAF mission would consolidate and hasten Georgia's NATO integration²⁷. Considering her contribution to NATO the USA operations, Georgia actively participated in Iraqi Operation as part of the "Coalition of the Willing". Georgia makes the largest non-NATO-member contribution to ISAF. Georgia has de-clared its readiness to participate in the NATO Response Force (NRF). The NRF is an advanced multinational force, which will become more important post-2014, after the NA-TO-led ISAF has completed its mission in Afghanistan²⁸.

The other important contribution is that NATO now has a greater role in monitoring Georgia's democratization commitments. The NATO-Georgia partnership means that the alliance is closely examining Tbilisi's pledges to democratic credentials, especially since the 2012 Parliamentary elections²⁹. Additionally, Georgians argue that the combination of their rapidly modernizing military and their strategic location in the Caucuses make them a prime candidate for NATO membership³⁰.

Armenia

Armenia has not has so aspiration like Georgia in participation NATO activities. This has considerably resulted from Armenian dependability to Russia on security issue. Armenia has seen to establish her security and prosperity through Russia which provided huge assistance during Nagorno-Karabakh conflict with Azerbaijan in early 1990s. However, Armenia has not left her linkage with NATO since gaining its independence. In this context, Armenia joined the newly created North Atlantic Cooperation Council in 1992, renamed the Euro-Atlantic Partnership Council, in 1997. Armenia attended the PfP in 1994. Armenia has started to host NATO PfP exercises and joined the PfP Planning and Review Process (PARP) in 2002. This state has begun to contribute NATO operation, since 2004 to and 2009 to ISAF³¹.

Armenia contributes to the fight against terrorism through its participation in the Partnership Action Plan on Terrorism (PAP-T). While Armenia intends to intensify practical and political cooperation with NATO in order to draw closer to the Alliance, it does not seek membership in NATO³².

²² Nika Chitadze, "NATO - One of the Main Guarantees of Peace And Security in South Caucasus", <http://www.isrc.ge/researches-and-publications/nato---one-of-the-main-guarantees-of-peace-and-security-in-south-caucasus>, accessed 29 April 2014

²³ Shiryev, op. cit., p. 136-137.

²⁴ Ibid, p. 149-150.

²⁵ Eugene Kogan, "The South Caucasus Countries and Their Security Dimension", Neighborhood Policy Paper, KH University Center For International and European Studies, 2013, p. 5.

²⁶ Liz Fuller, "Georgia Sets Sights on NATO Membership Action Plan", January 16, 2014. <http://www.rferl.org/content/caucasus-report-georgia-nato/25232112.html>, accessed 21 April 2014

²⁷ Shiryev, op. cit., p. 149-150.

²⁸ Ibid, p. 156.

²⁹ Ibid, p. 150

³⁰ Travis I. Bounds and Ryan C. Hendrickson, "Georgian Membership in NATO: Policy Implications of the Bucharest Summit", *Journal of Slavic Military Studies*, No. 22, 2009, s. 29.

³¹ http://www.nato.int/cps/tr/natolive/topics_48893.htm, accessed 29 April 2014.

³² http://www.nato.int/cps/tr/natolive/topics_48893.htm, accessed 29 April 2014.

Azerbaijan

Azerbaijan is another country desiring to attain NATO membership. Turkey's active support lies behind this willing. Besides, Azerbaijan has also been keen to be member of North Atlantic organization. So, Azerbaijan is seeking to achieve Euro-Atlantic standards and to draw closer to Euro-Atlantic institutions. Consequently, support to security sector reform and democratic institution building are key elements of NATO-Azerbaijan cooperation³³.

In this context, Azerbaijan joined the North Atlantic Cooperation Council in 1992; she attended the Partnership for Peace (PfP) in 1994. Azerbaijan joined the PfP Planning and Review Process in 1997. She contributed KFOR Operations with troops 1999 to 2008. Azerbaijan has actively been supporting the ISAF operation in Afghanistan since 2002, as part of a Turkish contingent³⁴.

However, Armenia has been seen the main destabilizing country in Caucasus by Turkey and Azerbaijan as she has been occupying Nagorno-Karabakh and other Azerbaijani lands since 1992. This makes region more problematic in security perspective. This situation can be used an excuse for not enlarging NATO at Caucasus as the Atlantic Alliance will not allow for new members who have unresolved territorial disputes³⁵.

III. The factors Adversely Affecting NATO Enlargement Policy at Caucasus

Unwillingness of Some NATO Nations

Although Georgia and Azerbaijan want to be member of NATO, there are a wide variety of factors adversely affecting their membership process. Day by day their membership journey has met various challenges and hardships. The challenges have resulted from the Russian strong counter-stance; the unwillingness of some NATO members concerning NATO enlargement; the policy change at the Washington Policy toward region with the Obama Presidency which gave the priority to Pacific and Eastern Asian, lack of internal unified national efforts at those Caucasus countries for the NATO membership and finally the existence of ethnic conflicts though they area frozen currently in the region.

Some NATO countries, likes Germany and France were against the memberships of Georgia and Ukraine because of their energy dependency to Russia. This happened in 2008 as both countries vetoed the Georgian and Ukrainian membership. The enlarging NATO beyond Eastern Europe borders where instabilities aroused from ethnic, religious and cultural conflicts was considered not a right course of action for NATO by some NATO countries.

Some members think that Caucasus is out of Euro-Atlantic border. NATO should not expand its border far beyond its natural boundary. The frontier line of Europe must be end at Black Sea Coasts. Additionally, Caucasus countries are still far away from Western values in terms of social, political, military, security sector reform etc.,

The internal debate has been going in NATO about what to do notably with Georgian candidacy. The point is that the willing of defending Georgia from Russian threat has not emerged yet. As seen during the 2008 crisis, the support of United States to Georgia did not exceed the verbal and some medical and other aids. Therefore, there has yet not converging of different views regarding future candidacy process. The skeptics of some NATO nations come from what Tbilisi's intention is. Some NATO members believe that Georgia wants to join NATO to gain 'protection', rather than for "sociopolitical" reasons, entering a "liberal rules-based system," or advancing "international freedom"³⁶. But, the 2014 Ukrainian may change the Georgian bad luck.

The political-military condition of World has been significantly changed regarding enlarging policy. The first two enlargement waves were conducted slightly in mild climate when international relations were shaped with cooperative rather than zero-sum policy. The USA was deemed as only superpower which could tailor international architecture. Additionally, Russia was not in assertive mode particularly in her near abroad at it is today. However, the international design has significantly been undergone through new paradigms such as rising of rest of World³⁷ as economically, the resurgence of weakened Russia particularly with Putin regime, the decline of the US' power after Afghanistan and Iraqi operations. These paradigms have profoundly changed world political behaviors. So, the US and NATO are not in a position to arrange world as desired in 1990s. Sometimes it is hard to accept but it's a new world in where other actors have started to play significant role with Western countries. Russian also thinks that the ability of the West to dominate world economy and politics continues to diminish and the global power and development potential is now more dispersed and is shifting to the East, primarily to the Asia-Pacific region³⁸. This transformation has been affecting NATO's expansion policy since 2008, particularly in Caucasus in where Russia is exploits protecting the Russian minority as a tool of intervention in the countries surrounding Russia. It seems that Russia implements a new kind "irredentism" policy. Moscow conceptualized new security needs with "near abroad" policy issued in 1993. Resurgence Russia has begun to emerge since 2007 when Putin challenged Western hegemonic security structure in Munich Conference and issued a "moratorium" on the suspend the observance of its treaty obligations on Treaty on Conventional Armed Forces in Europe (CFE) which became effective as of 14 December 2007³⁹.

³³ http://www.nato.int/cps/en/natolive/topics_49111.htm, accessed 30 April 2014.

³⁴ http://www.nato.int/cps/en/natolive/topics_49111.htm, accessed 30 April 2014.

³⁵ Tony Rinna, "The Prospects of Georgia's NATO Membership", *New Eastern Europe*, <http://www.neweasterneurope.eu/articles-and-commentary/1167-the-prospects-of-georgia-s-nato-membership>, accessed 21 April 2014.

³⁶ Shiryev, op.cit, p. 150-151.

³⁷ Fareed Zakaria, "The Rise of the Rest", <http://fareedzakaria.com/2008/05/12/the-rise-of-the-rest/>, accessed 30 April 2014.

³⁸ Concept of the Foreign Policy of the Russian Federation, <http://www.idsa.in/eurasia/resources>, Article 6, accessed 1 May 2014.

³⁹ Putin Munich Conference Speech, http://archive.kremlin.ru/eng/speeches/2007/02/10/0138_type82912type82914type82917type84779_118123.shtml, accessed 2 May 2014.

The crucial Russian blow to Western hegemony was the intervention in Georgia with armed forces on August 2008. The consequences of the Caucasus crisis have gone far beyond local war. The war clearly reflected that the paradigm of relations of the 1990s, based on Russia's unilateral concessions to the West, is no longer accepted⁴⁰. This war has formally ended the unipolar or superpower era and opened for the multipolar order or non-polarity order as expressed by Richard Haass⁴¹. The 2008 Russian-Georgian war altered the geopolitical picture of the South Caucasus, serving the interests of Russia. Additionally, decreasing US interest in the region following Obama's election and his administration's 'reset policy' with Moscow⁴².

Russian Implication on NATO enlargement Policy toward Caucasus

Generally Russia has expressed her deep concern for the NATO expansion toward the lands where were formerly under the control of the USSR. Indeed, Russian policy makers also view NATO as an instrument of US policy in both Europe and Eurasia. Russians believe that NATO enlargement is a zero-sum attempt to provide security for NATO states at Russia's expense⁴². For instance, Russian Military Doctrine updated as of 2010 has clearly described NATO expansion as first threat to Russia: "... the desire to endow the force potential of the North Atlantic Treaty Organization (NATO) with global functions carried out in violation of the norms of international law and to move the military infrastructure of NATO member countries closer to the borders of the Russian Federation, including by expanding the bloc...";⁴⁴

Russian policy has been shaped by four factors. These have been expressed by Nika Chitadze⁴⁵ as "1. *The eastward enlargement of NATO and the European Union after the ending of "Cold war"*; 2. *Alternative oil and gas transit routes*; 3. *the "colour revolutions" in Georgia and Ukraine*; 4. *Recognition of the independence of Kosovo by western states*". As seen from those factors, Russia namely doubts the Western policies and that caused Russia is to be inflexible to the actions and policies of NATO and the USA. Furthermore, Russia contemplates those approaches as threat to her security.

Considering those explanations NATO's extension into the South Caucasus will once again bring the organization directly to Russia's borders. NATO had better be prepared to any act that may include military confrontation with Russia⁴⁶. Similarly, it would be a great exaggeration to describe Russia as an international player committed exclusively to

the principles of realism in the conduct of its foreign policy⁴⁷.

To sum up, Russian strong posture against NATO's enlargement policy is a critical factor at the decision to be taken regarding Georgian membership. NATO decision will be shaped by the US determination. The Moscow's zero-sum policy regarding Black Sea and Caucasus regions have indicated that more appeasement and permissive policy of the Western family toward at those regions would not stop Putin's expansionist policy. Notably Moscow's decision to add the Crimea to Russian soil and policies employed at Ukraine issue has proven that Russia wants reestablish new the USSR at nowadays. The Transatlantic world has been disappointed by the Russian policy in Ukraine. Therefore, NATO and notably the US might want send robust signal about Georgian membership at next NATO Summit on September 2014 to Russia for the policies she followed at Ukraine problem.

The implication of inter-states and inner states instabilities at Caucasus on NATO's enlargement Policy.

Generally, South Caucasus is defined by three inter-related problems, Weak statehood, ethno-political conflicts, and destructive foreign interventions. The countries in South Caucasus have systematic problems regarding well-functioning-state structure, democracy capacity, respecting rule of law, abuses of freedoms and human rights. These are internal issues needs to be resolved with democratic process that requires substantial time. Those states are not in position to fulfill the candidacy requirements. Rondelli has defined those states' stance as follows; "*The endemic state weakness, conceived both as a lack of institutional capacities of a state (Kalyuzhnova, Lynch, 2000), as a polarization of the political arena combined with lack of governance and as a Max Weber's lack of state monopoly over the legitimate use of force, is another common trouble of the South Caucasus societies.*"⁴⁹

Additionally, radical power transition in any South Caucasus country may considerably implicate her aspiration of NATO membership. This was valid factor in Georgia after internal power transition 2004. Power transition after 2012 negatively affected Georgian aspiration of being member country of NATO.

These features have scared the some NATO nations in terms of the eligibility of South Caucasus countries for the NATO membership. Without resolving inter issues NATO have to face those nations' internal issues and make NATO spend time and energy for the secondary issues.

⁴¹ Richard Haass, "The Age of Non-Polarity", <http://www.foreignaffairs.com/articles/63397/richard-n-haass/the-age-of-nonpolarity>, accessed 2 May 2014.

⁴² Shiriyev, op. cit., p. 136-137.

⁴³ Antonenko and Giegerich, op. cit., p. 14.

⁴⁴ Russian Federation Military Doctrine, http://www.sras.org/military_doctrine_russian_federation_2010, Article 8.a., accessed 1 May 2014.

⁴⁵ Chitadze, op. cit., para 2.1.

⁴⁶ Rinna, op. cit.

⁴⁷ Andrey Makarychev, "Russia, NATO, and the "Color Revolutions", *Russian Politics and Law*, Vol. 47, No. 5, September–October 2009, p. 49.

⁴⁸ Alexander Rondelli, "Black Sea Regional Security, the South Caucasus Component", *Insight Turkey*, April-June 2004, Vol. 6, No. 2, p. 28.

⁴⁹ Ghazaryan, op. cit., p. 100.

Coming to inter-states problems, instabilities in the South Caucasus such as extremism, separatism, terrorism, territorial disputes, regional arm race, and transnational organized crimes⁵⁰ are creating important risk for region. Territorial disputes between Armenia and Azerbaijan, Southern Ossetia and Abkhazia problems with Georgia are the most important problems in the region that cause instabilities. NATO does not want to give membership status to any nation that has territorial dispute with its neighbors.

The Change at American Policy in Caucasus

Since 1990 and particularly 9/11 America has gave priorities to Middle east, Central Asia, Caucasus and Black Sea regions at where instabilities and other challenges might erupt and destabilize Trans-Atlantic interest and prosperity. Caucasus region has some specific features related to Trans-Atlantic interests. Euro-Atlantic interests in Caucasus require stable, reform-capable states, safe from external military pressures or externally-inspired secessions, secure in their function as energy transit routes, and able at any time to join U.S.-led coalitions-of-the-willing or NATO operations⁵¹. In this context, Caucasus region was received significant advocacy from the US in terms spreading electoral democracy, rule of law, liberal economic values and resolving destabilization factors. Additionally, the USA put pressure over France and Germany to give membership status to Georgia and Ukraine at Bucharest Summit in 2008.

However, the Obama administration has changed the strategic priorities to the Pacific and Asia. So, the USA has not insisted on granting membership candidacy to Georgia due to relation with Russia. Russian support was necessary in Libya, Iran, Afghanistan and Syria crisis. America has considered Russian apprehension at NATO's enlargement policy. Therefore, although NATO's open-door policy is effective, no country is granted to have membership candidacy since Bucharest Summit in 2008. However, NATO has not left Georgia alone at this period. She received the status of an aspirant state in December 2011, and the statements at the Chicago Summit in May 2012 indicated that at the next Summit (in 2014) NATO should expand on this⁵².

The Lack of unified national effort toward NATO membership

Caucasus, Black Sea or Central Asian Countries have different internal views on the NATO membership. There is lack of consolidated national will among people toward NATO. However, this has differentiated according to countries. Although Georgia has undergone radical power transition, the nation's will of becoming NATO membership is still vivid. Considering Ukraine, which is likely to be granted NATO membership with Georgia has faced loosing Crimea and faced territorial division. Eastern Ukraine wants to be part of Russia. On the other hand, the developments in last five months in Ukraine might be affirmative factors at granting NATO membership to Ukraine and Georgia. The US, NATO and EU have been quite harassed by Putin's new realist approach of Russian foreign policy. If Western follows

an appeasement policy it might led to more aggressive Russia in future.

Conclusion

Caucasus region has become the one of the most destabilized regions after the collapse of Warsaw Pact and the disintegration of the USSR. The frozen problems have caused the ethnic, religious, sectarian and sometimes ideological competitions, conflicts and large scale wars at the region. The destabilized factors have started to negatively affect the region itself and others areas surrounding Caucasus.

On the other hand, the USA and NATO have been major actors to shape world pol-military structure during 1990s. Caucasus has been deemed region that might have adversely affect Euro-Atlantic security and stability. Particularly 9/11 terrorist attack made region more important for America about the war she initiated against global terrorism. Coincidentally, newly established states at Caucasus have seen Western ideologies as their new path for their future. The USA and NATO have initiated some project in order to satisfy newly established states' aspiration of being the member of Western family. Among the countries in South Caucasus, Georgia is the most aspirant country wanting to be NATO member.

NATO enlargement toward Caucasus was hindered by NATO internal factors and external factors stemming from Caucasus. These are the Russian strong counter-stance; the unwillingness of other big members of NATO; the instabilities of inner-states and inter-sates at the region; the partial change at the Washington Policy toward region, and the lack of internal unified national efforts at Ukraine and Georgia for NATO membership. While comparing those factors, Russian hindrance and the USA's will are important than the others. If NATO and the USA are going to accept Georgia, NATO needs to be willing to prove that it will defend the geographic integrity of its members⁵³.

The NATO Bucharest Summit 2008 diminished the probability of Georgian and Ukrainian's attainment of NATO membership. However, NATO must keep contacting with the region countries, for preparation of probable full membership in future, by establishing strong ties such as pursuing active political dialogue and practical cooperation in support of those countries reform efforts and their Euro-Atlantic aspirations. The current development in Ukraine and Russian new foreign policy based on new realism principle would have affirmative results on granting NATO membership status to the both countries.

⁵⁰ Haydar Efe, "Turkish Policy towards South Caucasian Region and Stability in the South Caucasus", International Journal of Academic Research, Vol. 3. No. 4. July, 2011, II Part, p. 435.

⁵¹ Socor, op. cit.

⁵² Shiriyev, op. cit, p. 156.

⁵³ Rinna, op.cit.

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