

**SOCIAL AND ECONOMIC DEVELOPMENTS IN THE NORTHEAST CONSTITUENCY
AND TRADE UNION POSITION AND ACTIVITIES IN 2016**

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1. Social and economic developments

Trying to regain growth the Constituency countries are seeking to provide long-term growth with annual increase in domestic GDP by at least 4-5%.

In **Armenia**, according to the latest projections, the World Bank expects zero growth in 2016, the IMF predicts 1.9% growth, the EDB expects growth in the range 2-2,5%, Fitch – up to 2%, Moody's expects slower growth of Armenia's GDP in 2016 to 2.2%. The Central Bank of Armenia in its latest forecast estimates the growth of the Armenian economy in 2016 at the level of 1.3-1.8%. According to the newspaper Haykakan Zhamanak, the locomotive of the economy become casinos in the regions of Armenia and Yerevan, the volume of services increased by up to 10% and only in Kotayk approximately by 90%. In Kotayk there is the largest casino Shangri La owned by Gagik Tsarukyan.

According to the Prime Minister of Armenia Karapetyan, 'The principle not to stifle the economy, but to increase the share of taxes in GDP was put in the development of the draft budget in 2017 as a basis.' Nevertheless, Armenia is likely to have to raise the debt limit. The International Monetary Fund predicts the country's economic growth in 2017 to 3.4%.

In **Belarus**, the economy was falling for the second year in a row. In 2016, the country's GDP fell by almost 3%, and foreign investment by about a third. External creditors of Minsk are insisting on structural reforms of the Belarusian economy. Therefore, the main outcome of 2016, Yaroslav Romanchuk, Director of the Mizes Research Centre, economist, was the loss of a chance to change the situation in Belarus and an even greater immersion into recession. According to him, 'This was the year of missed opportunities, a year of standstill, and a year of senseless return of external demand. This year was the worst in relations with Russia in the past six years ... It was a standstill within the old model...'

Sergei Balykin, President of the Association of Small and Medium Enterprises, lawyer and economist, said 'If you take it up the economy in 2016, it will be rather a state's refusal to fulfil its social obligations. The Belarusian Government said a lot about its social nature, its social orientation – it was the mainstream of official propaganda and in 2016, the Government was forced to waive their social obligations. The loudest event, probably, was the increase of the retirement age that affected absolutely all Belarusians (Decree of 11 April 2016 introduced a pension reform in Belarus designed for 6 years. The outcome is minimum retirement age of 58 years for women and 63 years for men to the beginning of 2022). People traditionally supported by the Belarusian Government, people who are taking care of the disabled, mothers with many children, and soldiers are overboard. For the first time, there was a decrease in real incomes. The state ceased to be social, but at the same time, it does not become a free market one. Depriving people feeders, it does not give people opportunities to make their own, does not encourage entrepreneurial initiative'.

In **Georgia**, the most important phenomenon in the economy last year was a currency crisis that almost ruined all the macroeconomic and microeconomic indicators, too. As a result, the rate of economic development and standard of living decreased.

According to the economist Soso Simonishvili, the foundations of the GEL devaluation lie in the constitution stipulating which body should be responsible for the currency. 'In practice, the National Bank is concerned only about its own income, and has such a right under the law, and deliberately devalues the GEL'.

Authorities continue and expend programmes promoting entrepreneurship, emerging business, innovative business. Such is the programme "Produce in Georgia", financing of startups, etc. For two years under this programme 235 projects have been realised, 11 thousand new jobs have been created, total investments reached 522 million Lari.

Today, virtually all Georgia's economy is being controlled by the Russian capital. All major production – electrical networks, water intake, and few remaining businesses – are in hands of the Russian capital. Western capital did not come to Georgia. On 14 December, the Georgian Parliament approved the State Budget 2017 with GDP growth of 4%. According to various estimates, for a real improvement of the situation annual GDP growth of 10% is needed.

'Talks about the stagnation and decline in **Latvian** economy are misplaced. The main aim remains the same: to ensure long-term development of the country with an annual growth rate of gross domestic product (GDP) by 4-5%,' said Prime Minister Maris Kuchinskis addressing the deputies of the Saeima. This is not a utopia, the politician stressed. According to the Saeima, Valery Ageshin, MP, Consent faction deputy chairman, 'Latvia is becoming smaller – the size of the country in economic terms is reducing'. The share of industry and agriculture, that is the real economy, in Latvia's GDP is less than 20%. In general, GDP growth is ensured only by wage growth in the public sector. In fact, there is no real growth of the Latvian GDP provided with added value – 'the wheels are turning, but the car is not going'.

According to Arnis Kaktinis, Director of the Centre for Market Research and Public Opinion SKDS, according to indicators of public opinion, in 2016 the inhabitants of Latvia felt a bit more pessimistic than in the previous year. Although pessimism has long been generally typical for Latvians, and they are more likely to see the glass half empty than half-full. The Latvian society is dominated by social pessimism: only 4% of Latvia's residents believe that things in the country's economy are doing well.

If you look at the evaluation of the Latvian Government, confidence indicators of the Parliament, economic condition of the country, forecasts of its development, as well as development of the situation as a whole, all of them, compared with the previous year, deteriorated.

However, the index of the material situation of households for the past nine years is improving, albeit slowly, although continuing to be negative. Only 12% of the population consider it good, while the majority (58%) as satisfactory, and 29% as bad.

Lithuania finished 2016 with 2.7% growth of GDP and budget deficit. At the end of 2015, analysts forecast growth in Lithuania of 3.5% of GDP. Now experts say that Lithuania will end 2017 with the most powerful jerk in the European Union of 3.5%. Next year will be even better. Expenditure provided for in the budget 2017 approved on 22 December exceed revenues by 500 million EUR. The deficit of the public sector, which in addition to the national budget includes the budgets of the Social Insurance Fund (Sodra), the Compulsory Health Insurance Fund and other 'social expenditure' is 0.7% of GDP. At the same time the structural deficit of the public sector, taking into account the European Commission's comments, will be 1.8% of GDP.

According to the Board member of the Centre Party and the Riigikogu Economic Commission Erki Savisaar 'The Estonian economy is standing still, and it is a reality that we must acknowledge. The big Government's desire was to transform **Estonia** into a new Scandinavian country, but to reach the level of Europe and Scandinavia our economic growth, by comparison, should be much faster. Unfortunately, to date, the Government has no idea how to get the economy growing again. The broad promotion of electronic applications for a residence permit and sale of state-owned enterprises is not the path that can lead to economic growth'.

According to a joint KPMG study, one of the world's largest auditing firms, and ETTK, published at the end of 2016 'We need to honestly and without illusions admit Estonia fell into the 'trap of middle-income' exacerbated by falling demographics and almost no economic growth'. In short, the country is projected to economic stagnation.

Since the second half of 2017, Estonia is a country-chairman of the EU Council. It will be the formal leader of the European Union under the conditions of a systemic crisis of European integration. According to press reports, the main focal themes of the European Union policy will be a common market, digital market, the development of e-solutions, information society, energy and closer relationship of the European Union with the eastern partners.

The European Commission adjusts forecasts of development of the **Baltic republics** from time to time. Recently, they were cut by almost a third on average on three republics. This is partly due to the decrease in cash flow from Brussels to the Baltic States. The EU Structural Funds make the fifth of the GDP of the Baltic countries. In the budget 2017, the European Union cut funding to equalise the social and economic development programmes for the countries of 'New Europe' and tightening them to the European average of 23.9%. In coming years, the financing of the EU Structural Funds will reduce even more, because after Brexit the United Kingdom will cease to pay

contributions to the European budget. However, after 2020, when the end of the current seven-year EU budget the equalisation fund will be liquidated, and the economy of the Baltic countries will be reduced by 15-20% followed by the fall of welfare.

In **Ukraine**, last year broke the trend of recent years of deterioration of the economic situation. And although the financial situation of the majority of Ukrainians did not improve, a lot of made after the Revolution of Dignity starts giving effect, a modest 1.5% GDP growth in Ukraine can count on acceleration of growth in 2017. Leading Ukrainian economists expect that in the coming year GDP growth will accelerate to 2.1%, and industrial production will grow by 2.5. The Government forecasts GDP will grow by 3% in 2017. International financial institutions are more conservative in their estimates. According to the IMF and the rating agency Fitch, the growth of the domestic economy will be 2.5% in 2017. The World Bank and the EBRD believe that the growth of the Ukrainian economy will not exceed 2%.

For tangible improvement of living of the Ukrainian citizens, there is a need of higher rate of economic growth. In 2014-2015, under the conditions of war and occupation in the Donbas and Crimea, Ukraine's GDP fell by 17.5%. Even with the pace of economic growth of 3-4%, the recovery to pre-crisis levels in 2013 will take 4-5 years. After a strong decline in 2014-2015, it will not be a reducing growth, but 'stagnation with a plus sign', and well-being at the level of recovery in 2013 will take many years. It threatens political instability and migration of Ukraine's human and financial capital.

The Chairman of the Committee of Economists of Ukraine Andrii Novak painted a grim picture of the investment attractiveness of Ukraine. 'Given the unpredictability of the economic situation in Ukraine and the unpredictability of economic policy of the Government, today businessmen massively close businesses in Ukraine and open in neighbouring states. Especially in Poland'. Another new year's trend is the mass removal from the so-called tax accounting of the so-called 'dormant' FLP (individual entrepreneurs). Due to changes in the Tax Code, the FLP even not declaring income have to pay the single social contribution of 704 UAH per month (about 320 USD per year at the current rate).

2. Digitalisation in the Constituency countries as the forerunner of the fourth industrial revolution

Economists increasingly say that the world stands on the threshold of the fourth industrial revolution. The fourth industrial revolution once again became one of the main themes of the World Economic Forum in Davos There is a completely new type of industrial production that will be based on the so-called big data and their analysis, complete automation of production, augmented reality, Internet of things.

The first steps of the world to a new industrial revolution were cloud technologies, development of methods of collection and analysis of big data, crowdsourcing, biotechnology, unmanned vehicles, and medicine based on the 3D printing. The world of finance these are cryptocurrency Bitcoin and Blockchain technology.

The fourth industrial revolution is a gaining strength challenge for the trade union movement of the Constituency country. Forerunner of this revolution is the spread of digital technology that are changing public services in particular, and labour markets and the world in general. According to analysts of the McKinsey Global Institute (MGI) thanks to advances in the IT sphere, the communities will change in the near future 10 times faster and 300 times bigger.

The spread of digital technology brings both opportunities and risks. Recent studies of the future of labour say that the spread of digital technology can become an additional factor of social and territorial disparities. The lag of some Constituency countries falls to the communities in the form of significant cost. The governments lost a lot of time to build a network of existing initiatives to spread digital technologies at the national level, to invest in the creation of digital national innovation centres as much as possible, to create national 'clouds'.

Armenia established the Enterprise Incubator Foundation (EIF) that in 2016 initiated a number of large-scale educational programmes in the IT sphere, both short-term in the form of courses and long-term in the form of continued cooperation with universities. More than 70% of the IT sphere companies cooperate with the EIF in different formats, and more than 200 companies show interest in such cooperation every year. The volume of investments made in the IT sphere on the initiative of the EIF exceeds 10 million USD. Over the years, the EIF developed and implemented 26 different programmes.

The EIF is the first technology incubator that became a model of development of the IT sphere not only in Armenia, but also in several other countries.

One of the most important achievements was the creation of the EIF of technology centres in the regions allowing to harmoniously develop the IT sphere in Armenia not focusing all resources in Yerevan. According to preliminary data, in 2016 there were about 540 companies with a turnover of more than 500 million USD, or 6% of GDP, employing about 16,000 specialists in this sphere.

A special scientists' support bonus programme was created in Armenia. Every year 100 of the most successful scientists who have the largest number of links to articles, presentations at scientific conferences and forums, a large number of protected candidates and doctors under their management sciences, highly rated citations and h-index that characterise level of the scientist, etc are selected in the country according to scientometric indices. The selected scientists receive during a year a bonus of 100,000 drams (about 200 USD). Then there is a new competition and 100 new people are selected. The criteria on which the selection is performed come from Italian, Hungarian and Baltic colleagues. According to these indicators, the latter select academics! These criteria scientometric data processing technique of scientists to determine their rankings are Armenian 'know-how'.

The Hi-Tech Park in **Belarus** stands among the successful initiatives as production of which should be closer to 1 billion USD in the current year. 'The path traversed by the Belarusian IT companies for several years is impressive, but we must understand that this is only the beginning of an era of digitalisation that, according to experts, will last at least 100 years.

In **Georgia**, the IT development became a priority for the Government. There so-called information zones are being created in the country.

Georgia has a unique opportunity. During the Soviet period, the country has developed a mathematical school and cybernetics. Georgian programmers, engineers and technicians created a lot of IT products that were in demand. For example, iTunes contain many popular programmes written by Georgian programmers – the so-called 'apps' (small programmes for Apple gadgets).

The Georgian IT-companies have the opportunity to find their niche on the domestic and export markets.

According to the EIU rating (Economist Intelligence Unit), among the Baltic States, in general, **Estonia** ranks 25th, **Latvia** 34th among the countries of the world, **Lithuania** 35th, Ukraine 56th.

The 25th place of **Estonia** is the result of consistent implementation of the 1996 Government Programme 'Tiger Leap' on the development and introduction of advanced technologies. It is no accident Estonia overtook many Western countries in the use of modern technologies.

The Constituency countries governments are actively using new technologies in the public administration. More and more taxpayers are using government online portals to file their tax returns. According to the eEurope+, Estonia, for example, is ranked third in the world on this indicator after Denmark and the Netherlands.

Today you can send online an application for pre-natal leave and childcare. Weekly government meetings are on the government websites, and websites give the public the opportunity to discuss preparing bills online.

Ukraine should enter into a single pan-European infrastructure, together with Switzerland and the states of the Western Balkans. In order to harmonise the markets between the EU and Ukraine, the parties announced the creation of the Digital Community, digital infrastructure that is declared a

key project. With a large internal potential Ukraine is far behind the EU countries in this regard. Just over a year ago, Ukraine overcame the '3G gap' and reduced it from 10-year lag from Europe to five or six years. There is still a 10-year gap with the USA.

In 2015, the EU conducted a study of the digital infrastructure of Ukraine. Experts estimated the economic effect on the growth of subscriber base of broadband Internet access (broadband) for every 10% of users additional EUR 6.4 billion a year to the country's GDP. Today the IT industry generates 3% of Ukrainian GDP.

If now the broadband penetration is 33% in average in the country, when if it reaches 43% the economic benefit will be 5 billion EUR a year. At the EU Information Society Commission Ukraine offered itself as a 'test site' for development, testing and implementation of the 5G technology.

The USA has already allocated radio frequencies to 5G whereas in Europe this process is not yet complete.

Following the outcomes of discussion and collaboration the Ministry of Economic Development created a project roadmap of integration of Ukraine into the EU's digital community in 2016-2025. After consultation with all stakeholders, it will become the basis for the Digital Agenda to create a single EU-Ukraine digital space.

3. Gross Domestic Product per capita

GDP per capita is an important economic indicator measuring the economic performance of the country and reflecting the living standards of its citizens.

The World Bank annually calculates the Gross National Income per capita and divides all the countries into four groups:

- *low-income economies* with a GNI per capita of \$1,025 or less;
- *lower middle-income economies* with a GNI per capita between \$1,026 and \$4,035;
- *upper middle-income economies* with a GNI per capita between \$4,036 and \$12,475;
- *high-income economies* with a GNI per capita of \$12,476 or more.

The source of the information is the World Bank's World Development Indicators.

Table 1. List of countries by GDP per capita, USD

	Country	2013	2014	2015	2016
1	Estonia	26634	27991	28650	29502
2	Lithuania	25907	27406	28413	29882
3	Latvia	22341	23559	24652	25740
4	Belarus	17676	18294	17715	17497
5	Georgia	8526	9210	9591	10100
6	Armenia	7761	8170	8492	8881
7	Ukraine	8676	8733	7987	8230

4. Employment

The labour market is the most accurate detector of the social situation of the population. However, the capacity of states to improve the level of employment is still limited due to weak economic growth.

According to the ETUC priorities on the current stage of the European Commission's consultations on the European Pillar of Social Rights adopted on 6 September 2016 at an extraordinary meeting of the ETUC Executive Committee, trade unions should seek to protect high-quality employment, and not just the minimum standards that are necessary to fight poverty of those working, precarious employment, bad working conditions and labour market segmentation'. Trade unions should offer a programme aimed at promoting decent work and quality jobs.

If we look at the employment programmes offered by the governments of the region, they do not meet the above criteria. The programme of the new Government of **Armenia** stated support for employment by means of active programmes. 'We need to improve address social programmes, change the social security system and move to a more active employment programmes,' said Artem Asatryan, Minister of Labour and Social Affairs, after an extraordinary Government meeting on 18 October 2016 where the programme of the new Government was adopted. Increasing pensions and benefits is not in the programme, because the present Government will work until the parliamentary elections in April 2017. In other words, we are not talking about the quality of employment.

On 24 October 2016, **Belarus** amended the labour law that enshrined the duties of the unemployed. They have to do their own search for jobs, negotiate with the employer on employment within two working days from the date of referral, come to labour, employment and social protection authorities to obtain a note to work or school.

In addition, in order to stimulate more active job search of the unemployed responsibility for violation of legislation on employment was enhanced. Maximum period when registered as unemployed was twice reduced from 36 to 18 calendar months.

Another innovation from employers was to engage citizens in paid public works, and opportunity not to have only fixed-term contracts, but also civil ones. This is intended to simplify the procedure for employment for such works, as well as dismissal. There is no question about the quality of employment in Belarus neither.

The US National Democratic Institute (NDI) study 'The mood of society in **Georgia**' says the top priority for the population of Georgia are jobs. 63% of respondents identified creation of jobs as a priority.

In search of employment growth in Georgia, the Social Service Agency of the Ministry of Health, Labour and Social Welfare holds job placement forums for everyone. The last one took place on 16 December last year. About 40 companies from the service sector and manufacturing attended the forum.

However, the pre-election promises of the Georgian Dream to increase employment remain unfulfilled. Current economic growth is not able to reverse the situation in the field of employment.

According to the Lithuanian labour exchange, there were 130,000 registered job seekers as of 1 November. Nearly 36% of all job seekers have no vocational preparation. Among job seekers, there are nearly 12% unemployed university graduates, 15% women, and only 9% men university graduates. Almost one fifth of those registered at the labour exchange, or 18.4%, have never worked.

In all municipalities in Lithuania, the number of long-time unemployed fell by almost one sixth. At the same time, there are many unemployed who are unable to fully compete in the labour market: almost 38%. have no training, 18.5% of unemployed have never been worked. 17% of unemployed registered at the labour exchange have decreased ability to compete in the labour market due to a break in the work of more than two years.

Research experts confirm at www.cvmarket.lt that more ore than half of workers in **Lithuania** have to work after work, but at the same time every second of them is not paid for that.

The current Labour Code does now allow working more than 4 hours of overtime for two consecutive weeks.

53.2% of the respondents said the overtime was not paid.

In **Ukraine**, the State Employment Service is developing amendments to the Law of Ukraine 'On Employment'. Establishment of the National Employment Agency is among the key innovations. The Agency should provide a qualitative transformation of the current State Employment Service, and not simply be a change of signs.

It is planned to adopt the Population Employment Strategy of Ukraine 2017-2020 that will be based on the country's development strategy and the priority industries of the Ukrainian economy since 2020.

However, given that institutionalisation of the European 'golden rule' that limits the structural deficit to 0.5% of GDP in all Constituency countries is still far, and the same is true with the state budget deficit that according to the Maastricht criteria, for example, should be up to 1% of GDP, we expect that labour market reforms and development of employment policies will be reduced to increase the flexibility of 'labour markets', expansion of opportunities for employers to regulate the number of employees increasingly resorting to precarious forms of employment and 'lightweight' admission procedures/firing of workers.

In light of the above, the employment remains a priority for the governments and the social partners. The PSI/EPSU affiliates recognise the importance of promoting employment in the fight against poverty and achieving sustainable economic growth. All countries in the region have joined the ILO Convention No. 122 on employment policy (1964) that formulates promotion of full, productive and freely chosen employment as a key objective.

In the past period, the PSI/EPSU tried to assist in solving the problem of employment in the framework of the ILO's Global Employment Agenda and efforts to promote decent work. The PSI/EPSU position is that the employment growth requires a coordinated multi-agency approach to deal with the proposal on the labour market (professional development of workers and expansion of employment opportunities), and demand for labour (job creation) through promotion of a comprehensive political employment programme taking into account the national context of the countries.

5. Shadow economy

Shadow economy (also grey, informal economy) is an economic activity concealed from the society and the state. There is no regular research of the shadow economy and nobody knows its exact size. It is considered that the shadow economy is a natural reaction of business to the ineffectiveness of the state.

In 2017 **Armenia** plans to receive budget revenues of about AMD 20-24 billion (1 USD = 485 AMD) due to the reduction of the shadow sector. Tax revenues are planned to reach AMD 1 trillion 135 billion or 21% GDP, it is 0,3% higher than in 2016. It is expected that tax revenues will grow by AMD 60 billion due to the application of different instruments, including legislative changes, and also by AMD 24 billion exclusively due to the tax administration or "deshadowization" of finances. According to the analysis made by international structures, the share of shadow economy in Armenia is about 35-40%.

According to Gagik Makaryan, President of the Republican Union of Employers of Armenia: "Estimates for Armenia vary greatly, from 40% (official figures) to 60%, while in retail and service sectors the share of the shadow is up to 80%". According to the IMF estimates, the share of the shadow economy is from 30 to 50% in different sectors.

New Tax Code of Armenia that will enter into force in January 2018 should reduce space for the shadow economy.

Authorities claim that in **Belarus** the share of the shadow economy is the lowest comparing to its neighbours. According to Minister of Taxes of Belarus Vladimir Poluyan the share of the shadow economy in Belarus is 8-10% GDP, i.e. \$5-6 billion. The Minister clarified that these 8-10% included income from home gardening, sale of private property.

However, according to the survey conducted by Sprinter Research, the share of the shadow economy in Belarus could be one third of the GDP. More than one thousand responders filled the on-line questionnaire. Researchers used narrow definition of the "shadow economy" as a turnover

of legal goods and services out of the control of the state. Researchers estimate that Belorussian consumers spend 59 Euro per month on “shadow” goods and services.

In the **Baltic states** the shadow economy is about a quarter of GDP. State statistics in all three Baltic states declare its steady reduction, while alternative research signalled of its growth.

For example, according to experts, **Latvia** loses one billion of taxes a year that approximately equals the aid it receives from European funds.

The State Committee of Statistics of **Ukraine** traditionally reports that the share of shadow economy is 16-19% of GDP. It defines the shadow economy as everything that is not visible directly.

The analysis of the structure of the shadow economy of Ukraine has not been done, but with a high degree of certainty it could be said that the lion's share of Ukrainian shadow economy represents legal activities deliberately or unwittingly brought out of the taxation. Envelope wages are likely to be in the first place. According to the Ministry of Social Policy of Ukraine official wage bill in Ukraine is about UAH 500 billion a year, another UAH 200-300 billion are paid in envelopes. These UAH 200-300 billion (13-18% of GDP) represent the base for the Ukrainian shadow economy, with the shadow infrastructure built around it: cash centers, fictive certificates, documents, etc. It's difficult to say even approximately how many Ukrainians grow something, build, make, repair, cook or lease without documents, licences, and, of course, without taxes.

Because of the large shadow economy there is an absurd situation in Ukraine when the number of pensioners exceeds the number of documented workers paying taxes. Today out of the 43 million population of Ukraine only 8 million people work legally.

Table 2. The share of the shadow economy in the GDP
(in %, data from different official sources and experts' estimates)

Country	2013	2014	2015	2016
Armenia	55	35-40	35-40	35-40
Belarus	49,8	5-10	8-10	8-10
Georgia	68,8			
Latvia	25,5	24,7	24-25	24
Lithuania	46	27,1	27-30	27-30
Ukraine	54,9	50	40	35
Estonia	35,8	27,1	25	20-25

6. External public debt

The Maastricht criteria require that the country's sovereign debt should not exceed 60% of GDP. Presence of an ever growing foreign debt in each of the countries is one of the most important problems of their economic and social protection. In almost all cases to resolve accumulated problems governments resort to new loans that mostly go to service external debts.

In Armenia, the state took credits for 1.2 billion USD. 'But is unclear where they are going', the MP from the party Prosperous Armenia Mikael Melkumyan says. Armenia's state debt reached 54-55% of GDP, and 0 it will need servicing of 1 billion USD by 2020.

Attracted credit funds are not used for opening of new businesses and creating new jobs that would stimulate exports and develop economy and improving social protection.

The lowest public debt in the Constituency countries, as well as in the EU, that increases the credit rating, is in Estonia.

The biggest debt of the Constituency countries is in Ukraine. According to experts, Ukrainians will pay debts during of at least a quarter-century. The joint representative body of associations of trade unions, and the Ukrainian PSI/EPSU affiliates repeatedly warned about inadmissibility of escalating foreign debt that is a heavy burden not only on the current but also future generations of the Ukrainian people. But trade unions did not receive any response of so far.

Growth of the public debt is widely used as an argument for privatisation of state-owned companies instead of making the corporations to pay a fair share of taxes and introduce progressive taxation.

Although there is no universal recipe for solving debt problems, experts recommend, first of all, to prevent outflow of capital by resorting to strong fiscal policy, create a public debt financing system backed up by savings of population return of which is guaranteed by the National Bank to take measures to facilitate shortening of production chains and stabilise prices, especially for raw materials and food.

Table 3. External public debt in % of GDP

Country	2013	2014	2015	2016
Estonia	9,8	10,6	10,2	
Lithuania	39,3	39,3	38,8	
Latvia	38,1	40	38,5	
Belarus	27	34,1	36,4	
Ukraine	40,3	70,3	94,9	
Armenia	43,5	43,5	47,5	
Georgia	36,3	35,3	38,8	

7. IFIs policies: radical reduction of public expenditure in the most important spheres of life

The IMF's strategy in the Constituency countries is its well-known routine approach directing transfer of income from workers to creditors and business without taking into account individual characteristics of specific countries. Hence its vagueness: declaration of implementation of economic reform programmes that should contribute to strengthening competitiveness and business environment and, together with restoration of confidence help to renew access of public and private sectors to capital markets that should make the country attractive for appropriate investments and improve its medium-term prospects. There is no evidence that austerity and 'prudent fiscal policy' aimed at reducing public debt restore confidence in overall economic climate and will lead to increased investment.

Governments believe that the IMF funding stabilises financial system and gives access to credit and other international financial institutions such as, for example, the EBRD.

Receiving funding, governments close budget deficit and return old debt, and new debt repayment is transferred to the future. At the same time, everyone understands that assistance to governments and national banks with loans in foreign currency will not help neither economic development nor inflow of direct investments.

International loans did not become drivers for investment in modernisation of economy, development of infrastructure, creation of industrial parks and free economic areas. In a positive sense, they do not affect development of economy. At the same time, external debt is significantly increasing that will have to be repaid within more than a decade.

In all the countries, policy of drastically reducing state spending in the most important spheres of life was a pay for provision of financial assistance of the IMF, the EBRD, the World Bank, the

European Commission and more financially successful countries neighbours in the European home.

In December 2016, Armenia and the World Bank signed a loan agreement to support development policy. The loan amount is 50 million USD, and it is intended to finance the programme of reforms in key sectors of the economy exercised by the government. That was the fourth loan for financing of development policy that Armenia received.

Since the start of Armenia's membership in the World Bank in 1992 and the IDA in 1993, the total amount of funds reserved for the country through these two organisations amounted to 2.3 billion USD.

Key deliverables of the programme are adoption of the Uniform Tax Code that will eliminate shortcomings of the tax system and make it possible to increase acceleration of promoting economic growth and social investment spending. In fact, its main objective is to increase tax revenue that is readily apparent in the so-called improvement of tax administration.

It is becoming a rule when approving state budgets of the Constituency countries the following amendment is adopted: budget may be subject to changes as a result of negotiations with the IMF.

There are three critical areas in which the IMF's strategy is an example of failure: fiscal policy, debt sustainability and corruption.

So, within 22 years of cooperation with the IFIs Ukraine could not to demonstrate positive results obtained from funding. Since only the IMF allocated Ukraine credit loans from 1994 equal to 28 billion USD. Other financial institutions, such the EBRD, the IFC also fund Ukraine. As conditions of debt increase loans allocated to Ukraine are becoming more stringent. The current IMF programme in Ukraine has some similarities with the programme of 'Troika' imposed to Greece, and, very likely, can lead to similar economic disaster. Both countries are dominated by austerity measures and accumulation of debt combined with economic policy that ignores its negative effects on demand.

Unfortunately, during meetings with the IMF mission, IMF and World Bank's representative offices national trade union confederations avoid the most critical issues, including imposition of expansion of the tax base, privatisation, being afraid that their critics of these institution could create obstacles to extending loans to their countries.

8. Expansion of tax base

Under pressure from the International Monetary Fund population taxation is expanding in all Constituency countries. They argue that the main revenue is given by large taxpayers, that is not true. In Ukraine, for example, according to the Centre Social and Economic Research CASE Ukraine, ordinary citizens pay 63.6% of public expenditure.

Raising taxes on corporate income in the Constituency countries remains critical.

In the summer of 2016 in **Armenia** a draft of the new Tax Code was adopted in the first reading that became subject of heated debate involving not only legislators, but also a wide range of business communities, especially small and medium-sized businesses. A key provision of the draft Tax Code is in favour of the so-called concept of '21' proposed to establish equal rates of 21% for income tax, VAT and tax on profit plus tax on dividends (10% + 11% regardless of nationality). In case of income tax it is to eliminate its quasi progressive character and at the same time set a non-taxable threshold for income equivalent of minimum consumer basket. In addition, since a certain threshold – let's say, from 1 million USD – to considered also as a source of income operations of gift and inheritance (and therefore tax them, but to a lesser extent) (the practice is present in the United States, France, the United Kingdom).

It is suggested to set the rate for taxation of dividends at 11% for all, and reduce income tax rate to 10% based on the fact that tax applies only to money withdrawn from businesses by means of tax on dividends that will serve as a motivation for leaving money in businesses.

In terms of predictability of legislative field for businesses it is proposed that each new law enters into force only a year after its adoption. In addition, to establish a special tax regime which consists in non-legislative change in the period of 5 years with regard to investors, whether local or foreign, if they invest in the Armenian economy 1 billion AMD or more (of course, if they wish).

During this period, the document passed 25 discussions on a variety of levels, 350 proposals, the bulk of which were accepted and reflected in the draft Tax Code has been made.

During discussion of the draft the MPs paid attention to performance of tax collection by the State Revenue Committee. It was noted that the reasons for lack of tax collection were in non-compliance with their tax obligations of a number of large taxpayers. Last year, the total of 520 large taxpayers of 121 business entities underpaid 47 billion AMD within 8 months.

In **Belarus**, the Council of Ministers approved new tariffs for housing and municipal services. Their increased by at least 15%. The cost of thermal energy and natural gas increased by 17%. Almost twice Belarusians are paying for sewage. According to government statements, utility services will go up more this year. Taxes on all telecommunication services increased. Tax rates on dogs changed.

On January 17, the Belarusian Radioelectronic Industry Workers' Union (REP) and rights activists launched a campaign for abolition of the Decree 'On Prevention of Social Dependency' adopted on 2 April 2015 according to which citizens unemployed for more than six months are required to pay to the state a fee of about 240 USD per year. Now the fee is not too effective. The Union calls on citizens to sign a petition to the President urging him to abolish the discriminatory tax. The petition says 'The Decree 'on parasites' essentially introduces a new form of forced labour under threat of punishment.

In **Georgia** pursuant to the Tax Code there are seven types of taxes: income tax of 20%, corporate income tax of 15%, VAT of 18%, real estate tax of maximum 1%, import tax of 0%, 5% and 12%, dividend tax of 5% and excise duty that depends on the type of goods. Social contributions have been abolished since 2008.

In 2016, the Government of Georgia announced a tax reform. It is proposed to abolish the income tax, and to make up the lost revenue for the population. 'To solve the problem at the expense of individuals, while legal entities are granted carte blanche and freedom in distribution of their income activities, is socially unjust', experts say. In turn, the Government plans to replenish the state budget at the expense of Georgia car owners. For example, the Tax Code of Georgia was amended to significantly increase the excise tax on import of foreign cars, fuel and industrial oils. The Government hopes that this measure will bring to 300 million GEL of profit to the state treasury (108.3 million USD) by 2017.

The intentions of the Government seem to be the good: rise in oil prices should lead to reduction in consumption, and, coupled with increase in car prices, decrease their number to a reasonable amount. This, in turn, should improve the situation on the roads and have a favourable impact on the ecological situation in the country.

Since 2017, 50,000 micro-enterprises in **Latvia** should pay large amounts as social security contributions for each worker. This automatically makes existence of micro-enterprises unjustified and leads to move of many residents in the so-called 'gray zone of the economy'. Many should leave, because the country finally deprived them of their legal earnings opportunities.

In Latvia, at least a third of the country's population is working at micro-enterprises. At the same time a huge number of people are employed and working illegally as employers are not willing to take on their shoulders the entire burden of tax payments for labour which are among the highest. As a result, a third of worker's social security contributions is lower than the minimum wage. This means that such people will not accumulate even the minimum pension guaranteed by the state. Therefore, the rest of taxpayers will have to pay this difference and to subsidise the minimum pension.

Therefore, the Government decided to cancel since 2019 micro-enterprises regime. In addition, since next year they decided to reduce the tax rate to 5% of turnover. But since 1 January 2017, it

is necessary to make for each worker of micro-enterprises compulsory social insurance contributions from compulsory contributions facility that cannot be less than three-quarters of the minimum wage set by the Cabinet of Ministers. The following year the minimum wage in the country will amount to 380 EUR per month.

Since that year, tax burden for the majority of workers in **Lithuania** increased. And to a greater extent it affected those engaged in small business which is support and hope of the Lithuanian economy. Working on business permits and copyright agreements began to contribute more to the Social Insurance Fund.

Changes also comprise some other groups of workers. For example, athletes and others working in the sports will be entitled to claim sick pay. Their contributions will increase from 37.5 to 38.7% (an additional 2%, if the person puts on a pension at its own expense).

On the whole range of tax payers was extended as part of those working was not insured and enjoyed by others' tax assistance.

Since 1 July, not only procedure for calculating unemployment benefits will change, but also provision on its taxation will come into effect. According to the Ministry of Social Security and Labour, today the unemployment benefits are not subject to any taxes. The minimum amount of allowance is 102 EUR, and since the beginning of this year, the maximum allowance is 333.2 EUR. Duration of payment of benefits depends on length of unemployment. However, since 1 July, regardless of length of work allowance will be paid within 6 months, and a 15 percent tax on unemployment benefits it will be introduced.

On 1 January 2017, minimum wage in Ukraine 'came off' of living wage for able-bodied citizens for the first time in a long time. Respectively, changed different calculated values linked to these indicators. Since the minimum wage doubled, almost all tax breaks to individual's income tax (IIT) were cut by half. It was made in order final amount of benefits remains at approximately same level. Fines increased, as they are attached to the minimum wage.

Expanding taxation of an average citizen is primarily due to expansion of tax evasion. In this regard, the Constituency trade unions could use more actively potential of the **EPSU campaign 'For Tax Justice'** in connection with large-scale tax evasion by large corporations.

9. Wages

Against the backdrop of three decades of backlog of wages from productivity in the vast majority of economies, including in the Constituency countries, the trade union L20 suggested to use collective bargaining and minimum wage as a tool to solve the problem of growing inequality and decline in the labour share of income.

L20 considers resolution of growing problem of the working poor through creation of reliable, optimally set minimum wage, providing living wage. Practical experience, namely, recent introduction of minimum wage in Germany showed that the standard argument that minimum wage 'kills jobs' is unfounded. It does not destroy jobs and increase income of low paid workers.

The ETUC declared 2017 a year of struggle for higher wages in Europe. The ETUC adopted a plan of campaign, including provision of resources for the struggle for its increase.

Taking into account that Georgia and Ukraine concluded Association Agreements with the EU, and the Eastern Partnership Policy designed to bring Belarus and Armenia closer to the EU, this campaign should be used to increase wages in all countries of the Constituency.

In this regard, urgent measures should be taken in **Georgia** where presidential decrees of the President, not a law, set monthly minimum wage in the private and public sectors: 20 GEL or 8.5 USD (Eduard Shevardnadze), and 135 GEL or 57.4 USD (Mikeil Saakashvili). It is no coincidence. European followers of libertarianism seem totally unacceptable to establish rules of minimum wage law, they believe that only employer shall be entitled to set wages. We remember that Georgian politician and businessman Kakha Bendukidze was ardent libertarian.

Opponents of libertarianism believe that statutory minimum wage helps people escape poverty, especially when they are not covered by sectoral collective agreements for various reasons. Lack of normal minimum wage leads to that employer enjoys complete freedom when setting wages. The notorious 20 GEL minimum wage ultimately represents a 'zero', and is widely used by employers to exploit workers. To date, living wage in Georgia is 156.6 GEL (66.5 USD) that is much higher than minimum wage in the private and public sectors.

According to trade union representatives, wages of about 140,000 workers, accounting for nearly 20% of all employed, are lower than living wage. This means that many workers in the country are poor or very poor.

Trade unions strongly demand to introduce by law minimum wage for all categories of workers, and to make it decent. However, the Government of, apparently, does not intend to address the issue of revision of minimum wage in the near future.

The average wage in the country is 350-400 GEL. The highest wages receive bankers followed by civil servants and healthcare workers. Service workers receive the lowest wages.

The Government of **Armenia** rejected legislative initiative of Mikael Melkumyan to raise minimum wages from 1 June 2016 from current AMD 55 thousand to AMD 65 thousand. The Government plans to increase the minimum wage to 65 thousand in 2017. It is estimated that it will cost the budget AMD 13 billion.

According to the regulation of the Council of Ministers of **Belarus** the minimum wage in Belarus in 2017 is BYN 265, or about 120 Euro. It's more than in Ukraine but less than in Angola.

There is no single rating that reflects the state of wages in the Constituency countries. Each source has slight differences, since compilers operate on different input data. Comparing average wage by countries should be aware of wage gap that statistics hides.

All wages in the Constituency countries are always gross! It is therefore necessary to deduce as a minimum 18-30% of income tax. To reduce income inequality the Baltic countries introduced differentiated non-taxable minimum. In Latvia and Lithuania, the recipient of minimum wage does not pay personal income tax.

There is a difference in growth of income in the Constituency countries that jeopardises social cohesion and prevents long-term economic growth. According to the OECD, one of the most effective approaches to solving the problem is to raise taxes on high income, as in itself a sharp increase in the share of income among the top recipients of income and assumes 'increase in the ability to pay taxes'.

In 2014-2015, the **Ukrainian** Government allowed maximum fall in wages among countries in the region, as noted in the report of the ILO Global Wage Report 2016-2017. And raising minimum wage significantly affected existing proportion of wage inequality in all its forms.

The two-fold increase in minimum wage does not mean growth of wages of all state employees. Their salaries do not start of minimum wage, but minimum wage rate. The latter is also planned to be increased in 2017, but not as much – from 1,180 to 1,600 UAH. That is to say 1.3 times. Increasing minimum wage to 3,200 UAH means that all state employees on their wage scale received less than 3,200 UAH began to receive exactly 3,200 UAH, and those who earn more felt much smaller increase. If, for example, a nurse in a hospital got 1,500 UAH, since 1 January he/she gets 3,200. And a doctor who received 3,000 UAH, receives 3,900.

At the same time today, minimum wage in 3,200 UAH or about 110 USD is below the UN poverty line of 5 USD per day.

With regard to pensions, they are tied to living wage for disabled persons rather than to minimum wage. Pension and living wage will increase by 10%, that is slightly above inflation. 1,600 UAH: it is obvious that for this money the person cannot live. The Government decided to leave pensioners below the poverty line. Let them survive as they can.

Table 4. Minimum and average wages in constituency in 2014-2016.

Country	2014		2015		2016	
	minimum	average	minimum	average	minimum	average
Armenia	90	287	100	323	103	360
Belarus	150	449	119	382	127	345
Georgia					58	367
Latvia	320	762	360	818	370	838
Lithuania	290	682	325	714	380	793
Estonia	108	143	50	185	58	190
Ukraine	355	1005	390	1065	430	1163

Note: from 1 January 2017 the minimum wage in Armenia is 75, in Latvia - 380, in Estonia - 470, in Ukraine - 110 Euro

10. Corruption in the Constituency countries

At the beginning of 2000, a World Bank study recognised that in some Constituency countries, particularly in **Latvia**, corruption was at such a level that it was possible to talk about 'stealing state' and closely intertwining of economic and political power. Moreover, today this statement of the World Bank remains relevant and in most Constituency countries.

In Latvia, a loud corruption scandal is erupting: case of illegal financing of parties, bribery of Latvian politicians and judges. The figurants of corruption stories are ex-President of Latvia Andris Berzins and the main ruling party the Latvian Union of 'Greens' and Peasants, ex-mayor of Jurmala Gata Truksnis. It is obvious that a change of government at the beginning of the year cannot solve the problem of corruption. At the national level, especially the famous epics corrupt former Prime Minister's party Unity in recent years. One of them sold in the weeks before the elections to the Seimas the Citadele Banka. It was a stable profitable state-owned bank that received 1 billion EUR from the state budget to maintain it during the crisis, and the assets of which were evaluated by experts at 2.1 billion EUR, was sold to unnamed government investors for 100 million EUR.

According to Transparency International, surveyed nearly 60,000 people in 42 countries at the end of 2016, the most corrupt Constituency countries in Europe and Central Asia are Ukraine, Armenia and Lithuania.

For 56% of Ukrainians corruption is a major problem in the country. In the world's Corruption Perceptions Index 2016 **Ukraine** received 29 points out of 100 and took 131st place out of 176 possible. Ukraine's results last year improved by two points, as compared to 2015. However, Ukraine failed to overcome the barrier of 30-point barrier called 'disgrace to the nation'. As stated on its website Transparency International Ukraine, current results are 'not sufficient for the country which authorities set fight against corruption as top priority'.

50 banks are annually bankrupted on average in Ukraine concealing colossal carve-up schemes.

The most striking example was nationalisation of Privatbank, or rather its more than 100 billion debts to the state and investors. In 2014, owing to financial operations the owners transferred more than 1.6 billion USD to offshore accounts. Moreover, it was stated that the bank would be re-privatized in 3 years.

More recently, depositors of Mykhailivskiy Bank established in 2013, organised protest. The bank attracted deposits at high interest rates (25-30%), and used part of the money for consumer credit

in the network Eldorado (Mykhailivskiy Bank and Eldorado markets, and the rest distributed to their companies as loans on highly concessional terms (captive scheme).

The fair captive business scheme is used for companies do not bear additional costs taking loans from other banks. Therefore, they create their own banks whose main task is to finance their business with the help of funds attracted by natural persons and legal entities' deposits. Such own captive banks were created almost by all Ukrainian oligarchs, hence a number of banks in Ukraine that solve their problems at the expense of depositors, and then the state.

The essence of the captive scheme is that the owner of the scheme 'bank-company' transfers the money out of his/her purse in the other, and then takes the money from the purses of both and transfers them to offshore accounts.

In this way, in particular, got burned Transbank JSCB of Volodymyr Kosterin that had invested into its investment and construction company Capital Group the money of depositors, as well as funds of Ukraine-3000 Fund collected for the children's hospital of the future. Bankruptcy suffered a Ukrprombank and dozens of others.

In this situation, the state went towards banks and allocated them to refinance, not only for the capital increase, but also to reduce bad loans. In some years, the NBU allocated hundreds of billions of UAH.

Knowing all this, the IMF nevertheless requires Ukraine to privatise the last two state-owned banks – Ukreximbank and Oschadbank.

However, according to experts, banks will continue to bankrupt this year stealing hundreds of millions and billions of USD from depositors and the NBU obtaining original amnesty from the Government. According to bankers, during 2017 the number of banks in Ukraine will be reduced from 95 to 75-80 due to a problem of small financial institutions with capitalisation.

For example, in Ukraine, at least 12 central bodies are fighting illegal actions of officials. This specially created separate departments and structures as part of the Prosecutor General, the Security Service of Ukraine, the Ministry of Interior, the SFS. 15 members of the BPP faction announced creation of 'anti-corruption platform' within the faction.

A number of public organisations affect anti-corruption policy of the state: Transparency International Ukraine, the Council of Public Control of the National Anti-Corruption Bureau of Ukraine, Ukrainian Helsinki Group, and All-Ukrainian Union of ATO Veterans.

TI Ukraine started work on changing the stereotype that corruption is not a crime. For example, information campaign '**Get up, corruption kills!**' should encourage the Ukrainians to perceive corruption as an unacceptable social phenomenon.

The report Global Corruption Barometer lists economic situation, unemployment, crime, immigration, health care and education as main causes of corruption.

However, experts believe that to talk about fight against corruption in countries with a low standard of living is nothing more than empty PR, for here it is commonplace. In order to fight corruption, you need to take improvement of general standard of living. Creation of anti-corruption bodies only does not work.

Transparency International says that introduction of notion of lobbying activities at the legislative level; adoption of measures to increase transparency and independence of the judiciary from the other branches of government can contribute to solving the problem of corruption.

We have to hope that situation will change soon, and no one in the Constituency countries will not be able to say 'For my friends everything, for my enemies the law.'

Table 5. Rating according to Corruption Perceptions Index of Transparency International

Country	2012	2013	2014	2015	2016
Estonia	32	28	26	23	22

Lithuania	48	43	39	32	38
Georgia	51	55	50	48	44
Latvia	54	49	43	40	44
Armenia	105	94	94	95	113
Belarus	123	123	119	107	79
Ukraine	170	144	142	130	131

11. Growing gap between the rich and the poor

Every year, the wealthiest part of the population of each country becomes richer over the year by 20-30%. This is facilitated by the same income tax and regressive unified social tax. And the governments know that.

13% of **Armenia's** population are rich. However, only 2% consider themselves rich. The National Assembly of Armenia has 60 MPs dollar millionaires. In 2015, 131 Armenian MPs declared funds accounting for 90 million USD.

Income gap is also increasing in **Belarus**, but balance between the most and least wealthy citizens remains intact.

'The most important problem of **Latvia** is how to overcome completely disproportionate income differentials. Moreover, this problem manifests itself in Latvia is much more noticeable than in other new EU Member States,' says professor of the Faculty of Social Sciences in the University of Latvia Juris Rozenvalds.

One third of Latvia's population is exposed to risk of poverty. Several times Latvia received remarks from international organizations on inequality, low minimum wage and non-taxable minimum.

The current minimum wage covers only basic needs, as calculated poverty threshold is 291 EUR per person.

Experts believe that to ensure growth of wages and reduce inequality the **Baltic States** should first increase tax-free income and minimum wage.

There is huge difference in income of average citizens and senior officials in **Ukraine**. There are people who receive a wage with additional payments over 1 million UAH or 300,000 USD. Earnings, for example, of MPs for the last year amounted to 12.3 billion UAH or almost half 1 billion USD with a significant part of savings the MPs keep in USD according to analysis of declarations 413 MPs out of 450. Money kept by MPs would be enough to finance the Ministry of Health for one year or the Ministry of Culture for 4 years.

Announcement of electronic declarations of prominent personalities became a huge 'property striptease' that caused a stir in the media and society.

12. Labour migration, refugees, internally displaced persons

Labour migration in the region is gaining social and economic significance. Exemption of the EAEU citizens from patent acquisition and adjustment of their rights with the Russian workers led to substitution of Uzbek and Tajik migrant workers by migrants from **Armenia**. As a result there is redistribution of the Russian labour market for the benefit of, in particular, the citizens of Armenia with exclusion of migrants from Tajikistan and Uzbekistan that did not joined the Eurasian Economic Union. The current text of the Union Treaty gives all migrant workers employment equal rights with the indigenous population in the whole Eurasian space. In the case of Russia, this means that migrant workers are exempted from the need to take special examinations, receive medical certificates entitling them to work in the country, as well as pay a special labour patent. In

2015, the costs associated with obtaining a patent and paying for a year in Russia reached 60,000 roubles.

Because of the confrontation in Syria, in which pre-war population were 80-100,000 Armenians about 60,000 of which live in the economic capital of the country Aleppo, and the rest in Damascus, Latakia and Kessab, according to the Ministry of Diaspora 20,000 of Syrian Armenians moved to Armenia. About 20,000 there are still Syria. Because of the conflict many went to Lebanon, the USA, Canada and other countries. According to the Government of Armenia, the historical homeland is ready to take them all if necessary.

Most of the refugees who arrived in Armenia prefer to live in Yerevan, a small number of them settled in other cities and regions of the country. Armenia occupies the third place in Europe in the number of accepted refugees from Syria, behind only Germany and Sweden, but Yerevan has not yet received significant international support for rehabilitation of the refugees.

The process of integration of Syrian Armenians in their historic homeland is faster than in other countries. Many of legal and administrative procedures were greatly facilitated, including the procedure of Armenian naturalisation. The arrival of refugees in general had a positive impact on Armenia's economy, but the economic integration of refugees is very hard. This, in particular, says the report Economic Integration of Displaced Population of Syria prepared by the international organisation Save the Children.

However, the arrival of Syrian Armenians is not able to compensate for the losses incurred by Armenia due to migration of indigenous Armenians from the country. "Bouquet" social and economic problems contributed to expulsion of 300,000 citizens from the country in recent years.

In 2016, **Baltic countries** continued move to demographic impasse. Today, in Estonia, Latvia and Lithuania live respectively 1.3 million 1.99 and 2.96 million people. For a quarter century, the Baltic States as a whole lost 1.68 million (over 21%), and the decline continues.

Emptying republics is a real danger. The main reason is not only and not so much in reducing birth rate, but in mass emigration.

According to sociological data, 24% of **Latvia's** residents are going to emigrate and work abroad and have already taken some practical steps. In the near future, flight of the population of Latvia may increase even more. The reason for this will be a new tax tightening in 2017 due to reduction in the number of taxpayers and likely further decrease of income from the EU funds.

Among the Baltic countries, **Lithuania** remains the leader in loss of population. A tenth of the population of Lithuania would like to emigrate results of the poll published by www.delfi.lt in December 2016. 9.6% of respondents stated that they were ready to leave forever, 28.9% of the population would like to leave the country temporarily, and 61.5% indicated that they did not think at all about emigration. According to Eurostat, Lithuania is leading among the EU Member States in terms of population decline in the calculation at 1,000 (1.13%). According to Eurostat projections, by 2040 less than 2 million people will live in Lithuania. (Reduction by more than 40% compared to 2011). The findings are disappointing: in case of saving in the next decade negative trend, the able-bodied part of the community will be reduced by almost half in 2050. Many call the emigration from the Constituency countries flight from the area of social and economic distress.

At the same time, without emigration Lithuania would have had to create 400 thousand new jobs for the last 15 years. It is 1/3-1/4 of the total number of jobs in Lithuania, and no one can do this. In fact, the number of jobs reduced by 100 thousand after Lithuania joined the EU.

If we take in the context of Lithuania, the country simply did not improve life for some people. Although the economy is growing and average wage, too, it does not mean that the wage increases for all. Unemployment declined, but now we can say that for the most part it was reduced by emigration, because the unemployed left. Moreover, those who had a job may leave room for former unemployed.

According to research, in opinion of the people of Lithuania, the deterioration of the economic situation is a greater threat than terrorism. For only small part of the population can see consequences of the statistical economic growth and do not emigrate. For another, most of the

residents, prices are rising, and wages are not, so the economic situation for these households is getting worse. Any trend of improvement, as increase of minimum wage or pension by 20 EUR or something like that is not visible and does not solve the problem.

Emigration and mortality are also main factors reducing the population in **Estonia**. Almost every tenth able-bodied resident of Estonia is permanently or temporarily working abroad.

Every year tens of thousands of migrants leave **Ukraine** finding a second home in Israel, the USA, Russia and the EU. Official statistics do not accurately describe any number of migrant workers, or those who left for permanent residence, but sociologists note that the number of those wishing to leave Ukraine is growing. Moreover, Ukrainians are more likely to go to work to Poland, at least to Russia that cannot provide Ukrainian 'guest workers' with well-paid jobs. Poland even established the Intersectoral Ukrainian Workers' Union, and Ukraine had to adopt the law 'On External Labour Migration' as a part of initiatives package required for visa liberalisation.

People leave Ukraine, as a rule, due to unemployment and inability to realise themselves. A key motive of departure abroad in search of jobs is their lack in Ukraine, low pay or inability to obtain employment according to qualification. Approximately half of those going abroad are agree to any job, while the other half expects to get a job in their field, or at least from in adjacent industry.

The percentage of those who due to lack of jobs in their settlement would like to move to another city in Ukraine, about the same as the mood to go abroad, or 25%. Today, the gap between actual and desired Ukrainians' income is 3.5 times.

According to December 2016 opinion of the poll company Research & Branding Group, more than a third of Ukrainians (34%) are willing to move to another country for permanent residence.

Among the main reasons for departure are proposals of interesting and profitable work (28%), armed conflict (27%), economic problems in the country (19%) and family reasons (18%).

Immigration offices also confirm increased interest in life abroad.

As a result, there is a real escape from the country of the most of working population and young people.

The relevance of the problem of migration indicates that the Member States will consider it at the International Labour Conference in June this year.

Forcing a part of its population to Western Europe and Russia, the Constituency countries escaped the percentage of unemployment southern in South Europe.

The UN General Assembly hosted a high-level summit to address problems of refugees and migrants where 193 Member States signed up the New York Declaration. The declaration is not legally binding and does not impose concrete commitments on the signatories. However, it urges them to protect the human rights of all refugees and migrants, to increase the provision of humanitarian assistance and facilitate resettlement of migrants. The Declaration also outlines steps towards the achievement of two global compacts on refugees in safe, orderly and regular migration. World leaders expressed their readiness to increase funds available for this purpose. The UN launched the TOGETHER campaign and promised to promote the rights of all people who were forced, for one reason or another, to leave their homes in a search of **better life**.

13. Fight for social and economic rights of workers

On 30 March 2016 thousands of people rallied near the Cabinet of Ministers of **Ukraine** under the slogans "Ukraine without Yatseniuk", "For Decent Pensions", "Government, Stop Plunder!", "Drug Prices Kill!". The rally demanded resignation of Prime-Minister of Ukraine Arseniy Yatseniuk. A month earlier the Parliament failed to oust the Yatsenyuk Cabinet that lead to the break-up of the Parliamentary coalition.

On 19 April the Trade Union of the National Academy of Sciences of Ukraine held a protest action, the most numerous since the rally in 1994. Scientists from the National Academy of Sciences of Ukraine, Academy of Pedagogical Sciences of Ukraine, National Academy of Medical Science of Ukraine and National Academy of Agrarian Science of Ukraine took part in the protest. Their main

demand was to increase the financing of the National Academy of Sciences of Ukraine and sectoral academies. The scientists also demanded to implement the Law of Ukraine on Scientific and Research Activities, according to which funds allocated to the science should amount 1,7% GDP. But in the State Budget 2016 only 0.2 GDP is allocated to science, therefore it was not possible to pay decent remuneration for scientists' work and many research programmes had been suspended. The day before the action in the capital scientists protested in regions.

On 6 June over 50 thousand trade union members and workers from all over Ukraine gathered in Kyiv for the All-Ukrainian Protest March, picketing and rallies near the Parliament and Government of Ukraine protesting against the shock increases in gas price, electricity and water tariffs, against the state policy of shock therapy, austerity measures at the expense of workers and demanded radical increases in wages and pensions. The main slogan of the march was «European Prices? European Wages!».

On 3 November 2016 the Trade Union of the National Academy of Science of Ukraine organised a warning protest at the building of the Parliament of Ukraine.

The aim of the action was to draw the attention of the parliamentarians to the critical situation in Ukrainian science, caused by its constant significant underfunding.

In 2016, protest actions against the adoption of the new Labour Code were held in **Lithuania**.

In all cases EPSU sent letters of support addressed to top officials of both countries. All member organisations were kept informed about the developments.

14. Fighting privatisation

Privatisation in all Constituency countries turned into a universal tool for solving all problems, including fighting corruption, although there is little evidence to argue in favour of such calls.

The UN, G20 and OECD recently called to increase private investments in public services and infrastructure. It is worrying that only trade unions are against this, while civil society organisations stand aside.

The President and the Prime Minister of **Ukraine** say all time that privatisation of state-owned enterprises will be an effective anti-corruption mechanism saying that 'the state-owned enterprises and corporations are source of corruption'. At the same time they contradicted themselves arguing that 'privatisation of state-owned enterprises, and transparent procedure for appointing management through be both effective anti-corruption mechanisms'.

Numerous studies, including of the Institute of Economics and Forecasting of NAS of Ukraine, show that the idea of transition to private ownership automatically provides improved financial results of enterprises in Ukraine does not find its confirmation.

In **Belarus**, the first time the list of facilities for privatisation in 2017 made on the basis of proposals from relevant ministries and corporations will be agreed with business community, but not the trade unions as social partners. This year 58 joint-stock companies are ready to sell state stock packages. Most enterprises already featured in a similar list last year. New requirements will not be presented to investors.

In **Georgia**, according to officials, in recent years, given economic difficulties facing the country, privatisation is directed mainly to replenish the country's budget and create jobs in the short term, as well as new economic Georgian growth in the long term. In general, according to the authorities, privatisation of state property contributed to attracting foreign investment, improving living standards, as well as improving welfare of the country as a whole. In 2015, Georgia's Prime Minister Garibashvili said that 'he will rely on the state programme 'Made in Georgia'.

Despite adoption of the Law of the Republic of **Armenia** 'On Industrial Policy' designed to create a new industrial area on the basis of industrial enterprises left over from the Union, the new Prime Minister of Armenia Karen Karapetyan stated that 'privatisation of state-owned enterprises

possibility of privatisation of state-owned enterprises that are not on the list for privatisation, as well as shares in companies with state participation.

At the same time, according to the National Statistical Service of Armenia, during the first nine years Armenia transferred to private ownership state property of 137 billion AMD (about 235 million USD at today's exchange rate). At the same time 1,781 enterprises and more than 7,000 small facilities were privatised. According to the then opposition the privatised enterprises were greatly underestimated.

In fact, the privatisation is used to bypass collective agreement concluded with trade unions, reduce wages and worsen working conditions, introduce precarious employment and get rid of trade unions. Alternative to privatisation is the fair taxation. However, in reality the privatisation is accompanied by milder corporate taxation and expansion of the taxable income of the population.

In a recent interview, the first Prime Minister of Armenia Vazgen Manukyan told what advice he is willing to give the current Prime Minister 'Firstly, he should do so Armenia has honest, and free competition. Second, at the start and development of a number of companies and industries he does not need to rely on the private sector, this is not true. The state should take over support of several industries and sectors of the economy'.

Unfortunately, the Constituency affiliate cannot resist privatisation advocates. There are no conditions for national and sectoral campaigns against privatisation. There are no social movements struggling with it, case studies on negative effects of privatisation, including corruption related to privatisation.

15. Eastern Partnership, EU-Georgia and EU-Ukraine Association Agreements

The EU relations with its neighbours are governed by the Global Strategy and the renewed European Neighbourhood Policy (ENP). Both of these documents call for focus on achieving a common goal to strengthen stabilisation and stability of its neighbours. The summit of the Eastern Partnership (EaP) held in Riga in 2015, and a meeting of the Council of Ministers in May 2016 confirmed common position on implementation of steps in four key areas: economic development and market opportunities; strengthening institutions and good governance; transportation, energy efficiency, environment and climate change; mobility and contacts between people.

By the next summit to be held in November 2017 to important events and changes in development of relations between the EU and the EaP countries are expected. They include: further progress in implementation of association agreements (AAs); deep and comprehensive free trade areas with Ukraine and Georgia; new framework of the EU relations concept, particularly with Armenia; completion of work on a new bilateral cooperation agreement with Armenia; enhanced cooperation with Belarus headed by the newly formed EU-Belarus Coordinating Group that recorded in the first adoption of a single framework document support that covers 2017-2020.

At the strategic level, such instruments will be used as TAIEX and Twinning – as a catalysts for reforms – as well as other tools to support of reforms and modernisation. Ukraine has considerable experience of participation in TAIEX programmes, in particular in a number of workshops held last year, and applied for technical assistance this year.

All partners should set up set up national coalitions for creation of digital jobs within the EU coalition for digital skills and jobs. In this regard, it would be necessary to involve the EnP countries to conduct EPSU workshops on digital economy.

However, we should be aware that the EnP intends to facilitate privatisation. As outlined in the Joint Working Paper 'Eastern Partnership concentrating on key priorities and specific achievements, and dynamic functioning of civil society sector is extremely important for development of private sector'. It resonates with the EU-Ukraine Association Agreement that refers to the need for liberalisation of health and education.

The AA provides for Ukraine's commitment to implement about 350 European acts (directives, regulations, decisions) until 2025.

According to the final deadlines set out in the AA, for example, from 1 July 2016 to 1 November 2016 Ukraine has to adapt 44 EU legislation acts in the fields of energy, environment, public health, social policy, activity of companies, taxation, and government procurement. The largest number concerns power (13) and environment sectors (15).

Evaluation allows you to say about absence of significant progress in implementation of obligations under the AA, as of 44 commitments, only 8 were met (Ukrainian legislation was adapted to the EU requirements).

The most successful areas are public procurement and energy where systematic work on approximation of Ukrainian legislation to the EU legislation is being carried out. In particular, a basic policy document 'Roadmap in the Field of Public Procurement' defining requirements to procurement contracts was adopted, as well as institutional separation of powers between the Ministry of Economic Development and the Antimonopoly Committee of Ukraine (AMC) as the bodies the first of which is to identify public policy in public procurement, and the second to review decisions of customers was carried out.

Ukraine failed to start creation of national system of energy labelling of energy-absorbing products fully compliant with the new Directive 2010/30/EC. As of 1 November 2016, Ukraine adopted a framework law and 4 technical regulations on labelling of refrigerators, washing machines, dishwashers, as well as lamps and fixtures that are fully implemented in practice of manufacturers, importers and public authorities. Completion of this reform requires early adoption of other regulations, as well as implementation of requirements of the Directive on the state's ability to control accuracy of energy labelling.

The need to meet the new, more stringent EU standards on nuclear safety prompted the State Inspectorate for Nuclear Regulation of Ukraine (SINRU) to start adaptation of national regulation with the EU standards in the areas of improving safety standards of nuclear installations and protection against ionizing radiation, as well as transportation of radioactive waste and spent nuclear fuel.

In other areas implementation of European integration commitments is in various stages, from legislation governing collection of excise duty where full implementation of the EU requirements is left to make some technical amendments to legislation on environmental regulation in the field of environment in which adaptation occurs very slowly.

The biggest obstacle to timely adaptation of the EU standards in Ukraine was the Parliament delay to consider and adopt appropriate legislation, and slow-bureaucratic procedure of approval of regulatory legal acts at the level of the Cabinet of Ministers, as well as lack of human resources of government agencies to develop high quality drafts of such acts.

The AA provides that before the end of 2025 Ukraine should bring its legislation to the EU legislation and implement it in its legislation.

Currently, the scope is being determined and separate Danish Neighbourhood Programme formulated in the areas of good governance and sustainable economic development in Ukraine and Georgia (2017-2021) carried out by the Danish consulting company Tana Copenhagen commissioned by the Danish International Development Agency under the Ministry of Foreign Affairs of the Kingdom of Denmark.

However, removal of barriers and abandonment of system of checks can ultimately lead to one-sided pumping of resources from the 'poorer' partner to the richer.

Even at the stage of associate membership young European States were forced to give up their domestic markets to cheaper products from the EU developed countries. In order to be able to compete with these products, the companies of the Baltic republics had to go through total modernisation, reduce costs, including energy ones, increase productivity and master new technologies. This transformation of economy is a difficult and long-term task.

16. Trade agreements

International trade is expanding rapidly at a rate of about twice GDP growth.

In the 2030 Agenda for Sustainable Development, international trade is seen as a driving force ensuring inclusive growth and poverty reduction, and hence sustainable development.

Integration of trade policy and development in support of implementation of the 2030 Agenda for Sustainable Development was the main theme of the 14th session of the UN Conference on Trade and Development (UNCTAD) (Nairobi, 17-22 July 2016). Trade is a mean of ensuring implementation of the 2030 Agenda for Sustainable Development and the Addis Ababa Action. Most of goods are being exported in the framework of bilateral or multilateral trade agreements.

In order to create mechanisms to expand the range of spread of economic and social benefits from trade and to reduce potential negative consequences for labour markets labour provisions are increasingly used in trade agreements.

With regard to the Constituency countries, the unions are not invited to participate in preparation of trade agreements to include labour provisions in these. However, this does not mean that labour provisions are not included at all.

Last year **Armenia** as a member of the EAEU took the initiative of preparing the Agreement on Free Trade Area with Iran. Relevant research team, consisting of national's members of the Union, ECE members and representatives of Iran considered such a possibility and has already prepared a declaration. According to forecasts, with an agreement between the EAEU and Iran, Armenia will be able to 33-fold increase in exports to Iran, and 20% are import. Iran will help Armenia in creation of Free Economic Area Meghri. Iran is also ready to sign a preferential tariff agreement with the Eurasian Economic Union.

Georgia signed the Free Trade Agreement with the European Free Trade Association in Bern. As a result of the Agreement Switzerland, Norway, Iceland and Liechtenstein's markets will be opened for Georgian goods. The Agreement will enter into force after ratification by all parties. Free movement of goods and services will contribute to growth of export and investment potential of Georgia as well as creation of new businesses and jobs. The Agreement provides that any industrial products from Georgia will arrive to the above four countries without payment of additional customs taxes.

In 2016, Georgia concluded negotiations on the Free Trade Agreement with China. A memorandum was signed between the Ministry of Economy of Georgia and the Ministry of Commerce of China in October 2016 in Tbilisi. According to the Agreement, approximately 94% of Georgian products will be exempted from customs duties in China. The Georgian side believes that after engagement of the Free Trade Agreement Georgian goods will become more competitive in the Chinese market. The Georgian Government expects that the Free Trade Agreement will be signed in the near future after examination of the text of the Agreement, and from mid-2017 will enter into force after ratification by the legislative bodies of both countries. Georgia and China have been actively trading in recent years. China is one of four major trading partners of Georgia.

In January of 2016, the full launch of the Free Trade Area between **Ukraine** and the European Union took place. The European market was the key one for Ukrainian exporters. The EU's share in the total volume of foreign trade of Ukraine was closer to 40%. The share of Russia as recent major economic partner fell at times, and today does not exceed 15%.

In July 2016, Ukraine signed the Free Trade Area Agreement with Canada providing Ukrainian exporters with have the right to sell their goods in the market with the total turnover of more than 500 billion USD. The Agreement was ratified by the Canadian Parliament and must be ratified by the Verkhovna Rada of Ukraine in February.

The parties to the Agreement committed themselves 'To achieve implementation of the Agreement by the two parties in accordance with their duties members of the International Labour Organization (ILO) and the commitments under the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998) adopted at the 86th session of the International Conference of Labour (ILO Declaration 1998), as well as the ILO Declaration on Social Justice for

a Fair globalization (2008) adopted at the 97th session of the International Labour Conference (ILO Declaration, 2008).

In connection with signing of the Agreement the Federation of Trade Unions of Ukraine and its affiliates, especially of the public sector, are planning to initiate establishment of a national advisory or consultative body on labour issues that will include representatives of the public, including representatives of trade unions and businesses to identify views on any issues related to implementation of Chapter 13: Labour of the Agreement.

Ukrainian side of the Agreement will also initiate establishment of a body or to determine responsible departments of the Ministry of Social Policy the competence of which will include labour issues, and will take over the functions of the National Administrative Office (NAO), and require t adoption of its working plan.

The unions will also seek publication of the level of progress achieved in implementation of purposes of Chapter 13: Labour.

17. Eurasian Economic Union

The EAEU – international organisation of regional economic integration – was established on 29 May 2014. The Treaty on the Eurasian Economic Union came into force on 1 January 2015. The EAEU members today are five states: Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan. The EAEU, according to the statutes and the programme documents, ensures freedom of movement of goods and services, capital and labour, and coordinated, coherent and unified policy in the economy sectors.

The EAEU established to comprehensive modernisation, co-operation and enhance competitiveness of national economies and create conditions for sustainable development in order to improve living standards in the Member States. However, all of this is in perspective. At the moment, it is more modest task – to ensure closer trade cooperation of member countries.

An important methodological premise is that the Eurasian integration is aimed at ‘development through modernisation’. The ideologists of comprehensive modernisation argue that Western followers and strategists came up with the formula ‘sustainable development’ that sounds everywhere, at all stages: Asian, African, Eastern European. For Western European countries ‘sustainable development’ is natural, because all modernisations took place there at one time. For them, ‘sustainable development’ means conservation of their dominant position. For developing countries, it is, in fact, a kind of provocation, because developing countries are not interested in a stable, accelerated modernisation development. It is also stable, but not in terms of stability of parameters that exist, but stable is dynamic. That is steady accelerated growth.

In recent years, a sharply debated topic was functioning of internal market without barriers, exceptions and limitations in the EAEU countries, especially in light of that heads of the EAEU Member States are increasingly critical of the Eurasian Economic Commission (EEC) for not doing enough in this direction.

According to preliminary estimates, to date, there are the total of 369 obstacles, including obstacles and impediments: 33 with obstacles signs, 49 limits, and 187 withdrawals.

To solve this problem, the White Paper of Obstacles will be created – a document that was prepared in the initial phase of integration in the EU.

By 2025 in accordance with the terms laid down by the EAEU law, 52 obstacles should be removed. By this time, certain types of transport services will be liberalised, common energy and financial markets will be created. On some issues, including creation of common markets of medicines and medical devices, and removal of problems in terms of jewellery, relevant work will be completed later this year.

To resolve the dispute on the EAEU space a civilised tool of dispute resolution is operating – the Court of Eurasian Economic Union. However, since establishment of this EAEU body in 2015 the

Member States almost did not use this resource. The first lawsuit was recently initiated by the Russian Federation to the Republic of Belarus.

However, powers of the Eurasian Economic Commission and the Court of Eurasian Economic Union are limited. Despite that decisions of the Commission and the Court are binding on member states de jure, de facto they are often more notifications, advisories and are not for the Member States nothing more than diplomatic and reputational risks.

The Eurasian Youth Civic Council was created within the framework of the EAEU as a result of the first Eurasian Civil Forum held in September 2016 in Yerevan. This is a kind of dialogue platform for public sector in the EAEU countries: experts, non-profit youth associations and organisations. The Council can decide to establish joint projects within the framework of Eurasian integration, as well as make public statements on behalf of civil society on a particular issue, problem, situation regarding youth in the EAEU.

As part of the free movement of workers and services the EAEU is expanding the list of professions for which mutual recognition of qualifications is automatic, and approving standards for payment of taxes and social security. Since 1 January 2017, workers from the EAEU countries have access to compulsory health insurance in the Russian Federation. Social security, except pensions, of workers' EAEU countries and their families is carried out under the same conditions and in the same manner as for the citizens of the employing state. At the same time, mandatory health insurance is part of social security, in particular. Earlier temporarily staying workers from Armenia, Belarus, Kazakhstan and Kyrgyzstan were unable to become a party to the mandatory health insurance programme in Russia. With adoption of this decision by Russia, tens of thousands of workers from the EAEU countries had access to social guarantees on a par with Russian citizens.

Nevertheless, there is a whole heap of problems within the EAEU. Whatever may be said about equal partnership it is not so simple in the EAEU. On 26 December 2016, the 51st session of the Parliamentary Assembly of Belarus and Russia in Moscow was marked by a political demarche of official Minsk unprecedented for this body. Instead of traditionally quietly vote for the EAEU budget, as originally planned, the President of House of Representatives of National Assembly of **Belarus** Vladimir Andreichenko expressed to the participants all sore about improper work of the EAEU. Officials and public figures do not hesitate to say that de facto Russia imposed economic sanctions against Belarus. However, at the level of the Union State Parliamentary Assembly these claims were made for the first time. 'The situation in respect of the Eurasian Economic Union is not in our interests', stated the representative of Belarus Vladimir Andreichenko. 'Since the EAEU launch on 1 January 2015 no major economic decisions were taken. An exception is the signature, and then late in the year, a package of documents on creation of common market of medicines, which is, unfortunately, not working. One gets the impression that economic union is transformed into a purely political project. As it turns out, creation of the EAEU was not good for our economy, but rather quite the opposite. Mainly due to numerous barriers in bilateral trade. In fact, protectionist solutions contrary to the legal framework of the Member State and the Eurasian Economic Union are being taken, said the Chairman of Belarusian Parliament.

In this connection Belarus is trying to find an alternative vector if not, at least a parallel direction in which it could operate. Many Western experts talk about importance of 'yugoslavisation' of Belarus turning it into a buffer. Nevertheless, in the long term, Belarus will be a priority in relations with Russia.

In **Armenia**, there is constantly debate between supporters of the Eurasian and European integration of which integration vector would bring greater benefit to Armenian economy. In this context, it would be interesting experience of the Eastern Partnership countries that signed Association Agreements with the EU – Ukraine, Georgia, and Moldova. Much was said about that the Association Agreements were not equal. Europeans have the right to unilaterally introduce changes to it (re-enter customs duties, change quotas, etc.), and Kyiv, Tbilisi and Chisinau are deprived of this right. But most importantly, these country have yet to receive billions of USD in financial aid and Ukraine is still waiting for promised visa-free regime.

Supporters of Eurasian integration argue that, in particular, the Customs Union is an opportunity for Armenia to find its economic model to implement their own, but not someone else's plans. In association with the European Union all comes down to blind copying and implement solutions.

According to the Director of Centre for Study of Public Applied Problems of Alexandr Zhilin 'With deprivation of statehood Europe and euro turned into a neo-colony'.

According to estimates of head of department of economic and mathematical methods of the Armenian State University of Economics, doctor of economics, professor Ashot Tavadyan, damage by not joining Armenia the EAEU would have been about 1 billion USD. According to him, in the same amount Armenia would cost unremoval of 30% of Russian export duty on gas complexity for Armenian migrant workers and export of products to the Russian Federation, etc.

In turn, political analyst and researcher at the Institute of Caucasus Grant Mikaleyan believes that it is early to summarise success of Armenia's membership in the EAEU yet.

According to the Union of Informed Citizens, the statements that "after Armenia joined EAEU its GDP increased by 10%" are not true. In reality the GDP decreased by 8%. Armenia became an EAEU member on 2 January 2015. According to the National Statistics Service of Armenia, in 2014 the GDP was USD 11.6 billion, while in 2015 it reduced to 10.5 billion (i.e. 10% reduction). According to the IMF estimates in 2016 Armenia's GDP reached USD 10.7 billion, i.e. more than 8% less than in the year preceding accession to the EAEU.

Armenia has about 1,300 Russian companies, about one-third of all joint ventures with foreign capital. They operate in key industries: gas, transport, telecommunications, finances.

Russian and Eurasian structures provide Armenia with comprehensive assistance for economic development. In particular, the total amount of credit resources provided to the country in 2015 in various areas of the economy amounted to about 1 billion USD. Including reimbursable assistance from Russian and Eurasian structures in the amount of about 100 million USD. According to the Chairman of the Board of the Eurasian Development Bank (EDB) Dmitry Pankin, bank credit investments in Armenia through the Eurasia Stabilisation and Development Fund amounted to 515 million USD. And the interest rate on the loans approved for Armenia was 1.5-2.1%.

Given that the contribution of the Bank of Armenia to the authorised capital was the total of 100,000 USD (Russia – 1 billion, Kazakhstan – 500 million, Belarus – 15 million, Tajikistan – 500,000, and Kyrgyzstan – 100,000). According to the Deputy Finance Minister, Chief Treasurer of Armenia Atom Dzhandzhugazyan, the Republic can apply for 1.1 billion USD of credit resources from the EAEU Anti-Crisis Fund (Armenia participates in the EAEU Anti-Crisis Fund with the share of 1 million USD). Three loans were approved for Armenia: 300 million USD for budget assistance in 2015-2017, a 150 million USD on programme on construction of highway North-South, and 40 million USD to solve problems in the field of irrigation. However, according to various estimates, they had no significant effect on the country's macro-economy. Nevertheless, the President of Sberbank of Russia Herman Gref said that Armenia could repeat the success of Singapore, if it has its own Armenian Lee Kuan Yew – 'father' of the Singaporean economic miracle – and a good team.

In 2013, the General Confederation of Trade Unions (GCTU) adopted the Memorandum of Cooperation with the Eurasian Economic Commission. It emphasises the need to create an effective legislative framework for regulation of migration flows within the EAEU corresponding to interests of the Member States and international standards of human rights. To accomplish this, it is proposed to create a joint consultative working group on labour migration. However, this idea has been never implemented. Actually the Memorandum does not impose any legal or financial obligation to any party.

In 2013, the Members of the Eurasian Economic Commission adopted the Resolution on streamlining the legislative framework in the field of pay. It contains suggestions for 'improving and unifying' national legislations on remuneration in accordance with definitions and principles, including international standards. The Resolution also addresses non-discrimination and equal treatment, timely payment of wages, and creation of a wage protection in accordance with the ILO Convention No. 173 in the event of insolvency of the employer. The Resolution noted that its

signatories would continue their efforts to ratify the Convention. It also contains recommendations for national parliaments. The Resolution does not mention the role of trade unions in the process of unification of national legislations. In response to the Resolution, the GCTU adopted the Declaration with participation of trade unions of the EAEU Member States and the countries having observer status. It stressed the need to improve the minimum wage systems in all countries and criticised the attempts to change them so as to include 'additional' payments in the minimum wage.

Currently, Georgia signed the Association Agreement with the European Union, but did not receive significant economic benefits. Georgia was not able to take advantage of partial opening of the European market. Armenia would not take advantage of this neither, if it signed such Agreement. At the same time Georgia received influx of European investments, while Russian investments in Armenia reduced to zero at the moment.

In the future, Azerbaijan, Iran and Russia, as well as Armenia, Turkey, Syria, Israel and several other countries in the region can be part of a common Eurasian market (Eurasian free trade area). Free trade areas are the mildest variant of integration when import duties are only removed. And this is what the EAEU agreed with Vietnam, and is negotiating with India.

With regard to the EAEU-EU cooperation, in 2016 the EU filed a series of signals readiness to establish economic relations with the EAEU. The European Commission's President Jean-Claude Juncker called for development of trade with members of the Eurasian integration despite the sanctions. However, by the end of this year the topic of 'integration of integrations' 'died'. It is pointless to wait for implementation of this idea in the current environment. At this stage the EAEU is not an equal partner in Europe even with all its problems. There are too many internal problems on the Eurasian continent to speak about the integration now. Global integration is not a question of years, but decades.

The EAEU is often contrasted as 'competitor', 'alternative' to the EU. Lithuania even included in its concept of national security the threat to 'non-democratic integration projects in neighbouring countries'. In reality, today the EAEU cannot compete with the EU.

Nevertheless, there Asia-Europe Meeting (ASEM) exists. The ASEM is an international platform uniting Asia and Europe. The organisation was founded in 1996. The ASEM consists of 51 states from Asia and Europe, and two international organisations – the Secretariat of the Association of Southeast Asian Nations (ASEAN) and the European Commission. The organisation includes today 53 members.

The main purpose of the ASEM is development of cooperation of the Member States in political, security, financial, economic, social and cultural spheres and transport.

The ASEM summits held every two years alternately in one of the countries of Europe and Asia. The last summit was held in 2014 in Milan, Italy.

To date three main platforms institutionally featured within the ASEM: the Parliamentary Forum, the Civil Society Forum and the Business Forum. Traditionally, before next summit or simultaneously with it the Ministerial Meetings are held, in particular the Conference of Ministers of Labour and Employment (ASEM LEMC). At the meetings the ministers discuss various socially important topics and make decisions on holding four projects next two years, each involving relevant ministries from one European and one Asian country. The last ASEM LEMC was held in 2015 in Sofia, Bulgaria.

Almost from the first years of the ASEM establishment, the International Trade Union Confederation (ITUC), the European Trade Union Confederation (ETUC) and the ITUC regional organisation in the Asia-Pacific region tried solution to problems of social development becomes an integral part of the ASEM work, and made efforts for recognition of the Trade Union Forum as the fourth official platform to discuss social issues. Trade unions hold their Forums in the ASEM framework and take part in discussions with social partners in the host countries of the ASEM leaders summits.

A new step in development of the Trade Union Forum was made during the Summit of Heads of State in 2014 in Milan where the EU and the European Commission voiced positive decision of

their governments in relation to securing the Trade Union Forum in the ASEM framework. But, unfortunately, again failed to achieve institutionalisation of the Trade Union Forum at the ASEM Summit of Heads of State and Government on 15-16 July 2016 in Ulaanbaatar. As well as the governments of two Asian countries did not support this idea, and approval of decision requires consensus of all Member States. In the next two years, the ITUC and the Friedrich Ebert Foundation (FES) (the ITUC partner in organising and conducting work related to trade union participation in the ASEM) is to convince every single government in official recognition of the ASEM Trade Union Forum.

The 10th ASEM Trade Union Forum was held in the framework of the 11th ASEM Summit of Heads of State Forum (ASEM11) on 4-6 July 2016 in Ulaanbaatar, Mongolia. The Trade Union Forum (AELF10) was attended by representatives of the trade union confederations of more than 20 countries and international associations and organisations (ITUC, ETUC, ILO, FES, PSI). The motto of the 10th Trade Union Forum was 'Making trade acceptable to all and supporting social and economic responsibility in supply chains in Asia and Europe'.

Members of the Trade Union Forum approved the Declaration and handed submitted it to the 11th ASEM Summit of Heads of State Forum. The Declaration reflects problems of macro-economic policy to stimulate creation of decent jobs in supply chains of trade policy that promotes development, investment in human capital through establishment of minimum levels of social protection for sustainable and inclusive growth, as well as the Declaration made public call for immediate government action to combat climate change, in particular, by transition to a low-carbon economy.

18. Labour and trade union rights

Last year the new Labour Code and accompanying acts were adopted in Lithuania. It will affect about 2 million Lithuanians. The Code will come into force on 1 July 2017.

This year the adoption of the new Labour Code is expected in Ukraine. Both labour codes empower employers and restrict workers' rights. Detailed information about these laws was sent to all member organisations during the year.

In general, the most common trends in the countries of the constituency:

Labour rights:

- spread of short-term labour contracts;
- ungrounded verbal labour contracts are legalised;
- termination of a labour contracts at worker's own request is subject to good reasons;
- new grounds for termination of the labour contracts by employer;
- restricted trade union rights and shortened list of cases when their involvement in the labour issues is needed;
- insufficient implementation by the parties of their obligations under the labour law;
- increased court fees charged for submission of claims to courts

Right to Association:

- attacks on and harassment of trade union activists;
- complicated procedure of setting up a trade union organisation, especially at MNCs;
- changes in the legislation on trade unions;
- absence of real social dialogue;
- pressure on trade union organisations;
- decline in trade union membership;

Right to strike and industrial actions

- criminalisation of industrial action;
- complicated procedures for announcing strike action, tighter timeframe and increased number of sectors where strikes are banned;
- increase in the number of protests in the constituency;
- complicated system of labour conflicts resolution;
- different levels of responsibility of parties (workers are subject to stricter punishment);
- isolation of protests and lack of solidarity support.

The 2016 ITUC Global Rights Index rates countries from one to five according to 97 indicators, with an overall score placing countries in one to five rankings.

1. Irregular violations of rights: 13 countries including Estonia
2. Repeated violations of rights: 22 countries including Lithuania and Latvia
3. Regular violations of rights: 36 countries including Georgia
4. Systematic violations of rights: 27 countries including Poland
5. No guarantee of rights: 27 countries including Belarus, Ukraine
- 5+ No guarantee of rights due to breakdown of the rule of law: 10 countries

Previous years Ukraine had 5+ ranking. It is impossible for workers to enjoy collective labour rights when violations of human rights and humanitarian law are systematic and the government/authority lacks institutional capacities to protect their rights as a result of military conflict and occupation.

In all countries of the constituency attacks on the public services are accompanied by the attacks on public sector workers and their rights, including the right to collective bargaining and the right to strike.

Therefore, responding to the call of the ITUC, PSI and EPSU member organisations took active part in the Global day of action to support the right to strike.

In their activities member organisations also took into account the Action Plan to Promote Respect for Trade Union Rights in Europe and to counteract employers challenging the position and jurisprudence of the ILO supervisory mechanisms regarding especially the right to strike, adopted on 16-17 December 2015 by the ETUC Executive Committee.

Realities in the constituency are still far from the norms and requirements of the ILO Convention No 87, especially concerning civil servants, healthcare workers, energy workers. The fight is ahead to cancel numerous bans and restrictions on workers' rights in the legislation of the countries.

In Ukraine the issue of concern is the legalisation of primary trade union organisations that did not confirm their registration in 2000 under the Law of Ukraine on Trade Unions, Their Rights and Guarantees of Activities and were not included in the State register. For the registration of primary trade union organisation registration bodies demand a document proving their affiliation to the sectoral trade union issued by the relevant Central Committee. A significant obstacle to collective bargaining is limited number of companies covered by the General, sectoral and local agreements. Employers tend not to join employers' organisations that concluded these agreements in order not to be bound by their norms. Employers block the creation of the institute of public labour inspectors at primary trade union organisations, refuse to provide information on companies' bank accounts in case of wage arrears, create obstacles to the execution of public control over the observance of labour legislation at workplaces.

Very complicated reporting on the use of funds by primary trade union organisations. Excessive requirements to be a non-profit organisation almost paralyse activities of primary trade union organisations. To meet all these requirements, the activities of primary trade union organisations

should be stopped. They should be served only by banks with the “client-bank” programme that increases the bank commission.

19. Organising and growth

There are 2.9 billion workers worldwide. Only 60%, or 1.7 billion belong to the formal sector, and the rest are employed informally. Only 7% or 200 million workers are organised in free and democratic trade unions that meet criteria for the ITUC affiliation. The growth of trade unions is critical if we are going to reshape global reality and to ensure social and economic justice.

The Resolution ‘Many do More’ adopted at the EPSU Congress in 2014 obliges the EPSU and its affiliates to arrange for work to attract new members. Aware of need to urgently solve the problem of reducing the number of members and to strengthen the trade union movement, the Executive Committee adopted in November the year before the work programme the priority of which is to support activities of affiliates associated with organisation of work and involvement of new members through exchange of information and coordination of campaigns if possible.

Most affiliates continue to lose members, trade union membership density decreases. In most cases, this is due to ‘optimisation’ of public structures, health systems, and privatisation. The main challenge is to be able to organise trade union work in privatised public services.

As you know, before upcoming Congress, which will take place this year, it will be necessary to increase the number of trade union members by 1 million due to the growth of affiliates, and the number of declared members as well as through involvement of trade unions that are not yet part of our family. It was necessary to analyse and identify those sectors, geographical regions, as well as categories of workers where the PSI and EPSU are not represented yet. The focus of the strategy of increasing membership was be paid to temporary workers, young people and women.

After the workshop supported by the EPSU and the AFL-CIO Solidarity Centre, Ukrainian Health Workers and State Employees’ Unions decided to review the priorities of their work and took decisions that organising should be a major focus of their activity.

In May-June 2016, workshops for leaders of primary organisations of the above trade unions were held in Chernihiv Trade Union Training Centre (TUTC). Especially for newly elected chairpersons of primary trade union organisations on the training programme including basic issues for trade union leaders.

Workshops were opened by an experienced trainer, expert in labour law Tamara Nazina, head of department of social and legal protection and economic issues of the Federation of Trade Unions of Chernihiv region. Her speech touched basic social guarantees for workers, and steps and procedures related to collective agreements.

Then participants worked in the format of mini-training: ‘Development of trade union movement at present stage’. Trainings were held by Vitalii Kopysh, head of Adult Education Centre Perspective of the TUTC. Leaders of primary trade unions looked with him at different angles on activities of their own trade union organisations taking into account different models of trade unions: paternalistic, service, organising.

At the plenary sessions of a number of regional organisations of both unions, considerable attention was devoted to increasing motivation of trade-union membership.

An important element of motivation was participation of representatives of regional trade union organisations in the Ukrainian-Danish project that provides for systematic training of trade union activists and application of new methods of working with companies and organisations where there are no trade unions. In April-May 2016, 26 trade unionists from each union attended the first stage of training.

Upon review of experience in organising and motivating of trade union membership of the Vinnytsia Regional Committee of Public Services Workers’ Union, the Union’s Presidium adopted on 26 May 2016 a corresponding resolution in which, inter alia, noted that as a result of hard work of the Regional Committee trade union activists considerably updated: more than 20 % of

chairpersons of trade union committees are newly elected; among 25 members of the Regional Committee 11 are elected for the first time. For a more productive work with trade union youth the Youth Council was created headed by deputy chairman of the Regional Organisation of the Union. The resolution also noted active work in this regard of the Regional Trade Union Committees of Zaporizhzhia, Kharkiv, Dnipropetrovsk, Lviv, Vinnitsa regions.

Regional committees of trade unions of health workers of Lviv, Vinnytsia regions totalled maps of workers, their work schedules. They conducted a survey among workers. It was revealed that very low pay is the main problem for them in personal communication with workers.

Organising was in the focus of the National Academy of Sciences Workers' Union of Ukraine. A series of workshops on organising were conducted on at the Chernihiv TUTC. During the workshops, leaders and activists of the National Academy of Sciences of Ukraine did a great job:

- Carried out audit of internal and external environment of the organisation,
- Forecasted impact of external developments on internal policy of the organisation,
- Explored influence of corporate culture of the organisation,
- Worked out use of tools and methods of internal PR,
- Analysed strategic documents of the organisation,
- Discussed development and implementation of internal policies of the organisation and organising campaign.

The highlight of the workshop were practical tasks, business games and interactive theatre that successfully opened theoretical blocks. The training was made possible with support of the FES-Ukraine. The workshop was held by trade union trainers of Adult Education Centre Perspective of the TUTC Volodymyr Kovalchuk and Vitalii Kopysh.

'Modern trade unions for modern Ukraine' that was the slogan of the last academic week of the Trade Union School in Odessa by the public organisation Employment Initiative and the AFL-CIO the Solidarity Centre. The School gathered more than 50 participants from different regions of Ukraine, as well as Moldova and Belarus. Trade unionists represented various sectors that certainly contributed not only to understand and find solutions in their own field, but also personal enrichment: public institutions, health care, education, oil and gas industry, students of various educational institutions.

The five-day programme from 25 to 29 July, included lectures, workshops, exchange of experience, simulation of conflicts, forum-theatre and peaceful action aimed at promoting trade union movement, in particular in Odessa.

Performances of the forum-theatre concerned to attract new members in trade unions, workers' rights violations and conflicts that very often faced by young trade unionists. Activists tried to find arguments to convince non-union youth to join a union. Everyone had an opportunity to become an actor of performances and show how he/ she would act in a particular situation. It was the work of division of roles. Each of fifty participants of the School had a specific role and could simulate their behaviour, actions, in accordance with specified task in the mission. There was a search for ways of engaging young people in trade unions. During their performances, young trade union leaders raised topics of social guarantees, unemployment, violation of labour rights, job cuts and a need to unite to defend their labour rights and recover the economy. They urged citizens to join trade unions and take the path of solidarity. The result of intensive week was the concert of Arkadii Kots in the Summer Youth Trade Union School whose work is connected with the songs about working class, trade unions, and dedicated to those who defend the rights of others.

The training mini-project 'Strengthening youth influence on modernisation of trade union organisations in Chernihiv region' was launched. The group of students were selected by representatives of various trade unions, representing mainly the public sector. On 25-26 October, the first training 'Modernization of work of trade unions through introduction of best practices and to attract young people' was held. Participants discussed such topics as 'Competence of trade union leader' (trainer – Iryna Glushko), 'Trade unions' image in the eyes of young people: change of

stereotypes' (trainer – Volodymyr Kovalchuk), 'Motivation of trade union membership', 'Distribution of roles and functions in a trade union team' (trainer – Vitalii Kopysh), 'Processes of modernisation of trade union movement' (trainer – Svitlana Zadorozhna).

Successful seminars on organising were held in Belarus and Latvia. However, taking into account that global economic environment today is as hostile to trade unions as never and the trade union movement in the constituency faces new challenges, suspension of the project financing by PSI/EPSU negatively affect the capacities of the member organisations to mobilise trade union members to tackle challenges in particular those related to the creation of sustainable quality jobs ensuring stable income and provision of social protection.

In this connection it is important that the draft PSI Programme of Action 2018-2022 "People over profit! Our time to lead" stresses that during "next five years the potential of project activities will be restored and mass campaigns will be conducted on international trade agreements, fair taxation, refugees and migrants, right to public healthcare and fight against privatisation. Necessary resources will be found for this". Member organisations will have "to mobilise workers to held national actions in coordination with PSI global actions and ensure incorporation of PSI priorities into activities of the national trade union centers».

Of particular importance are the issues of the realisation of the Recommendation on social protection floors (No 202), adopted at the 101st ILC session in June 2012, active promotion of the policy of setting adequate levels of social protection for all guided by the international norms of social security including the flagship ILO Convention 102 concerning Minimum Standards of Social Security.

20. Analytical and translation activity

Considerable analytical work was carried out. It was prepared and sent to the Constituency affiliates a number of overviews and reference materials on various spheres of activity of the ILO:

- Overview of the ILO supervisory mechanisms,
- Status and prospects of the ILO standard-setting,
- Strengthening social protection of workers in face of crisis: the ILO approach,
- Employer's liability for damage to life and health of workers: regulatory framework of the ILO,
- Global trends in wages and the ILO recommendations,
- The ILO on employment promotion and protection against unemployment (with emphasis on youth),
- The ILO and need to strengthen social partnership,
- Attempts to weaken the ILO's supervisory mechanisms,
- Global trends in transition from informal to formal economy and labour problems,
- The ILO experience and recommendations of the in the field of occupational safety and health,
- Experience and recommendations of the ILO in fight for employment in order to promote peace.

Much was done to translate materials placed of the EPSU/PSI/ETUC/ITUC websites. With regard to the EPSU/ETUC, almost all materials were translated. Every day, our Constituency affiliates, and other constituencies, receive the EPSU/PSI/ITUC/ETUC/ILO materials in Russian. All issues of PSI World News, epsucob@NEWS, EPSU News, Splash News, International Trade Union News, various press releases and publications, Declarations of Global Unions to the G20 Summits, Global Unions Statements to annual meeting of the IMF and the World Bank, documents of meetings, reports of trade union protest actions, especially in the public sector, other materials, including letters, work plans of the EPSU standing committees, circulars, questionnaires, news reports, comments and reviews of a variety of articles. Similarly, materials on the position of Constituency countries on a variety of issues were prepared in English.

Among the translated materials worth mentioning:

- ETUC position on Mid-Term review revision of the MFF 2014-2020;
- ETUC action programme for welfare and social protection;
- Reinforcing social dialogue as an instrument for stability – report of the Council of Europe;
- ETUC EC Resolution on Standardisation;
- ETUC position on single market strategy for Europe;
- Declaration on a new start for a strong Social Dialogue;
- Social Rights Pillar: good principles, several doubts
- 12 Top Priorities towards an ETUC Action Plan
- A new roadmap for Europe...without social progress?
- A New Start for a strong Social Dialogue.