But the work itself should be done as early as possible, not only for your own internal use but to bolster your entire presentation to the government.

Approaching the government in a spirit of cooperation is the only successful way of implementing these tools. Econometrics is fact-intensive and "assumption-heavy" methodologies. Therefore, open and collaborative dialogue with the agency economists and accountants is critical for the agency to accept the conclusions of the merging parties' studies.

The effective use of econometrics, in combination with effective advocacy, maximizes the chances of obtaining antitrust approval for even the most problematic deal.

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SUMMARY
The article is devoted to the estimation of damage as an element of European competition law.
Keywords: legislation, damage, competition law, potential competitor.
РЕЗЮМЕ
Статья посвящена оценке опасности как элемента европейского закона о конкуренции.
Ключевые слова: законодательство, опасность, закон конкуренции, потенциальный конкурент.
РЕЗЮМЕ
Стаття присвячена оцінці небезпеки як елементу європейського закону про конкуренцію.
Ключові слова: законодавство, небезпека, закон конкуренції, потенційний конкурент.

COMPETITIVENESS OF LATVIA'S ECONOMY: PROBLEMS AND CHALLENGES

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Problems of comparative advantages and competitiveness of countries become increasingly important under global competition. It is especially important for small and open economies and Latvia is one of them. The Global Competitiveness Index of Latvia has decreased during the previous years and it means that there are serious problems. Latvia occupies one of the last places among the EU member states in this evaluation. The way to international competitiveness and to the knowledge-based society lies via innovations. European Innovation Scoreboard shows that Latvia remains in one of the last places among the countries surveyed. Latvia's innovation index has not substantially changed over the last years. So it is very important for Latvia to identify areas of its comparative advantages and to mark priorities for further development.

Contemporary world economy as an aggregate of economies of separate states and their economic and political relationships is characterised by a comparatively new trends of development brought about by globalisation. Contemporary world economy includes more than 200 national states as subjects of economical, political, cultural and other activities. The essence of globalisation is manifested in integration of global economy, which increases the interdependence of states. Globalisation permeates the most relevant socio-economic processes in the world and fosters economic growth, since it acts as a driving force enhancing labour effectiveness and productivity in the conditions of toughening competition. Production costs reduce, since investments are diverted to the countries offering lower labour costs, direct access to markets as well as experience of utilisation of technologies. At the same time, globalisation highlights new contradictions and problems in the world economy. Globalisation nowadays to a smaller or greater extent practically embraces all countries of the world.

The role of competition, which in fact becomes global and international, essentially increases. In the conditions of globalisation every manufacturer, which does not depend on a single market or source of resources, may be competitive. National governments promote the inflow of foreign investments so that through foreign investors countries could more successfully integrate into global economic processes.

The impact of globalisation on the particular country is to a great extent determined by its position in the world economy: whether its economy is big or small. The positive effect of globalisation is mostly received by the big and rich states. These are the states whose economies have competitive advantages, while developing states are exposed to the threat of becoming a source of resources to the advanced economies.

Latvia, being a small state, has to accept the fact that in the conditions of globalisation it wont be able to impact the processes taking place in the world and will always be a recipient of the consequences and changes created by these processes rather than the initiator or driver. A competitive precondition of a small state is effective utilisation of production factors, taking part in international labour division. In the conditions of globalisation the issue of real possibilities of small states to participate in this process becomes especially topical. What exactly can the country offer to the global or regional market? Finding the answer to this question is important also for Latvia undergoing structural transformations of national economy and adaptation to the new conditions of doing business.

One of modern concepts in the area of international competition is the model of nation's competitive advantage known as "Porter diamond". It explains a nation's competitive advantage in global markets as interaction of the four determinants: 1) factor endowments, 2) demand conditions, 3) relating and supporting industries, and 4) firm strategy, structure, and rivalry. In particular, factor endowments is interpreted as a nation's position in factors of production such as skilled labour or the infrastructure necessary to compete in a given industry [1, 127].

The principles of Porter model is a basis of well-known methodology of global competitiveness evaluation. The Global competitiveness index (GCI) is one of the most popular indicators which are published by World Economic Forum in its annual reports. The competitiveness of every national state is evaluated by using of aggregate index based on 12 most important pillars or factors which affected it (Fig.1.).

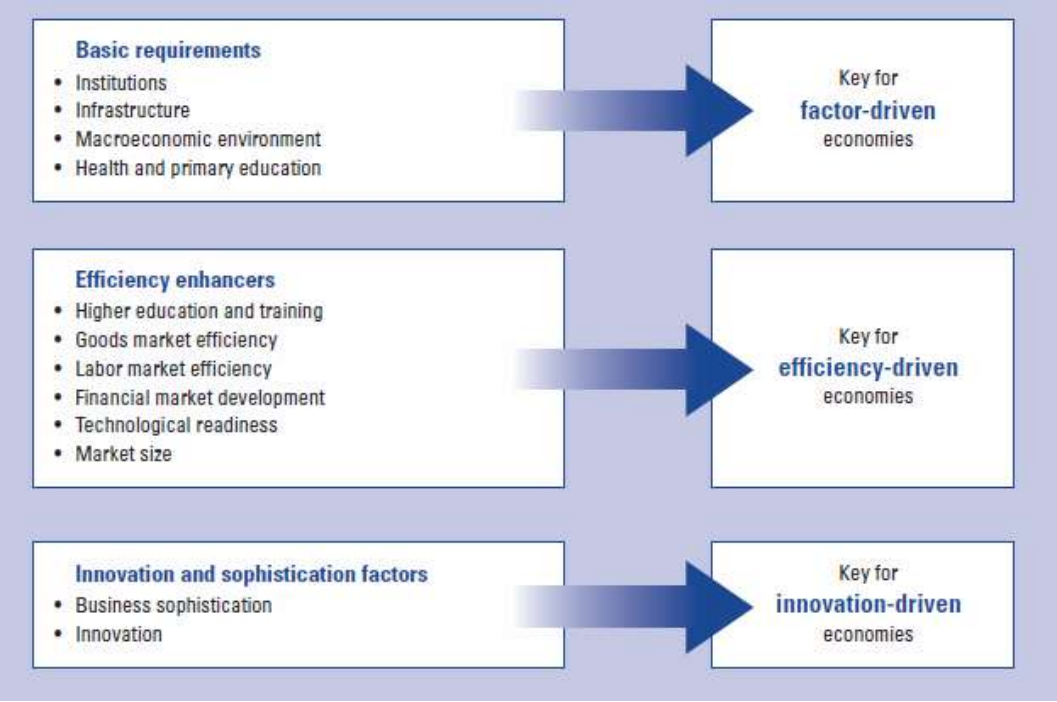

Fig.1. The 12 pillars of competitiveness [2]

From Figure1 we can see that there are 3 main groups of pillars: basic requirements, efficiency enhancers, and innovation and sophistication factors. Every group of factors is determinant for particular kind of economies. To calculate the Global competitiveness index, countries are divided into 3 large groups and each of those groups has different relative weights of pillars. These weights are reviewed regularly to take into account topical changes. Actual weights of pillars for 2010 are shown in the Table 1.

Table 1.

Relative weights of GCI [2]

Stage of development / Factor groups	Factor - driven economies	Efficiency-driven economies	Innovation-driven economies
Basic requirements	60%	40%	20%
Efficiency enhancers	35%	50%	50%

Innovation and sophistication factors	5%	10%	30%

From the Table 1 we can see that for factor-driven economies most important are basic requirements, but for innovation-driven economies most important will be innovation factors.

To determine to which economy belongs each country, such indicator as GDP per capita is used (Tab.2). Using this method Latvia in 2010 was in transition from stage 2 to stage 3.

Table 2.

Income thresholds for establishing stages of development [2]

Stage of development	GDP per capita (in US$)
Stage 1: Factor driven	< 2,000
Transition from stage 1 to stage 2	*2,000–3,000*
Stage 2: Efficiency driven	3,000–9,000
Transition from stage 2 to stage 3	*9,000–17,000*
Stage 3: Innovation driven	> 17,000

In "The Global Competitiveness Report 2010-2011" the index is calculated for 139 countries and Latvia takes the 70th position with GCI = 4.14 (the highest possible result can be 7 and the worst 1). Admittedly, the rank of Latvia was 68 in 2009, 54 in 2008 and 45 in 2007. So it is obvious that situation becomes worse over the years. At the same time our neighbour countries Estonia and Lithuania are accordingly in 33 and 47 places.

The Global competitiveness indexes imply that even the strongest economies in European Union such as Germany, France and United Kingdom are not in the very top. Generally, the EU member states rank from the 2nd to the 83rd in the list of 139 countries. Such a great diversity proves once more the heterogeneity of the European Union. It is one of the core problems of contemporary EU. It is absolutely obvious that it is alliance of "two development speeds" countries. Among the EU countries Latvia is only in the 25th place [2]. The position of some countries in world competitiveness rank is shown in Tab.3.

Table 3.

Global Competitiveness index 2010-2011 rankings and comparisons [2;3]

Rank	**Country**	**GCI 2010 -2011**	**GCI 2009 – 2010 rank**	**GCI 2008 – 2009 rank**
1	Switzerland	5.63	1	2
2	Sweden	5.56	4	4
3	Singapore	5.48	3	5
4	USA	5.43	2	1
5	Germany	5.39	7	7
6	Japan	5.37	8	9
7	Finland	5.37	6	6
12	United Kingdom	5.25	13	12
27	China	4.84	29	30
33	Estonia	4.61	35	32
39	Poland	4.51	46	53
47	Lithuania	4.38	53	44
51	India	4.33	49	50
63	Russian Federation	4.24	63	51
67	Romania	4.16	64	68
70	**Latvia**	**4.14**	**68**	**54**
71	Bulgaria	4.13	76	76
89	Ukraine	3.90	82	72
93	Georgia	3.86	90	90
96	Serbia	3.84	93	85

For further development and improving the real situation it is very important to recognize the main factors which are reasons of such bad performance. Concerning Latvia it is easy to see a stable tendency – these negative factors which influence the development of our economy remain the same for rather long period. It follows that our economic policy is not efficient. The most problematic factors are:

- tax regulations and tax rates,
- inefficient government bureaucracy and corruption,
- access to financing,
- government and policy instability,
- law innovative level of economy and government procurement of advanced technological products,
- small market size.

It is relevant to note that the first place in this list of negative factors is occupied by tax regulations instead of inefficient government bureaucracy one year ago. It could be explained by very unpopular and absolutely inefficient tax policy which was realized by government with aim to consolidate the state budget.

The way to competitiveness enhancement and to the knowledge-society lies via innovations. European Innovation Scoreboard, a report annually published by the European Commission, values the progress made by EU member states in implementation of innovation policy. It shows that Latvia remains in one of the last places among the countries surveyed. Latvia's innovation index has not substantially changed over the last years. In 2006, Latvia was in the 29th place among 34 countries, in 2007 and 2008 – in the 35th place among 37 countries. In 2007, only Romania and Turkey, but in 2008 – only Bulgaria and Turkey had lower total scores [4,112].

The further development of economy in Latvia directly will depend on the effective use of accessible resources and enlargement of the external markets. But this process is connected with the level of technology as well. The attraction of foreign investments does not raise the transfer of high technologies. It could be explain by the foreign investors' interest to invest in the sectors of real estate or financial and commercial services due to possibility to receive profit more rapidly in short run period. In point of fact nowadays economic crisis lighted up weaknesses of Latvia's competitiveness in the global markets. Innovation Scoreboard of EU countries in 2009 is shown on Fig.2.

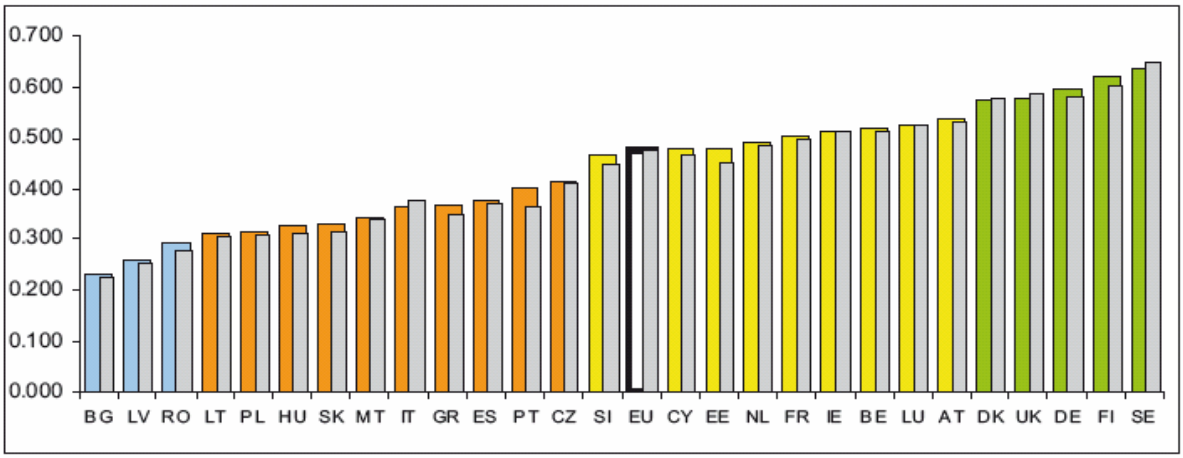

Fig.2. Innovation Scoreboard (EIS) 2009 [5]

The innovative potential of the country depends on financing for research and development to a great extent. A very nice goal to achieve financing for research in amount of 3% from GDP till 2010 was advanced in Lisbon Strategy. The highest level of finanncing was achieved in 2006 when it was 0.7% of GDP. Unfortunately during the next years this indicator became worse. The total financing for research and development in Latvia in 2009 was reduced by almost 40% compared to last year and was only LVL 59.9 million or 0.5% of the GDP. The most rapid decrease was observed in financing for research of foreign and public sectors [6,114].

It is obvious that one of the most important factors for state's development is its human capital. Human capital has critical role in the growth of every country. Competitiveness and prosperity of industrial society were determinate by capital goods, but in the knowledge society the main source of prosperity and development is human capital. The human capital of the country is the average amount of inhabitants' knowledge, talent and skills, which is multiplied by number of economically active inhabitants. The value of

human capital can be characterized by the basis of knowledge, talent and skills, their use and productivity. Investments in human capital are education, health care, qualification and other activities that make people more economically productive and economically rich.

For a long time, there is a view that holds that Latvia, being poor in natural resources, possesses the advantage of skilled labour force. Comparatively cheap Latvian labour attracted foreign investment and facilitated economic growth in the country. A serious threat to this Latvia's comparative advantage is created now by intensive labour emigration. In general, globalization objectively accelerates draining out of resources from more poor countries and regions to more developed ones. This seems increasingly true for Latvia in last years. As a result, the "drain" of labour resources substantially erodes Latvia's economic and intellectual potential. The population of Latvia continues to decrease and the society more and more rapidly is aging. During one month Latvia loses 700-1000 people and the forecasts are that in 2030 people over 80 years will be more than pre-school children. Half of total population will be over 45 years [7]. Moreover, only 43% of population instead of 55% now will be economically active. The demographic trends are far from being optimistic. Latvia expects the second most drastic reduction of the number of population among the EU states. Up to 2025, in the event of the realistic scenario, the population is expected to reduce by 12% (approximately by 300 thousand persons), in the optimistic case – by 10%, in the pessimistic case – by 18% (Fig.3).

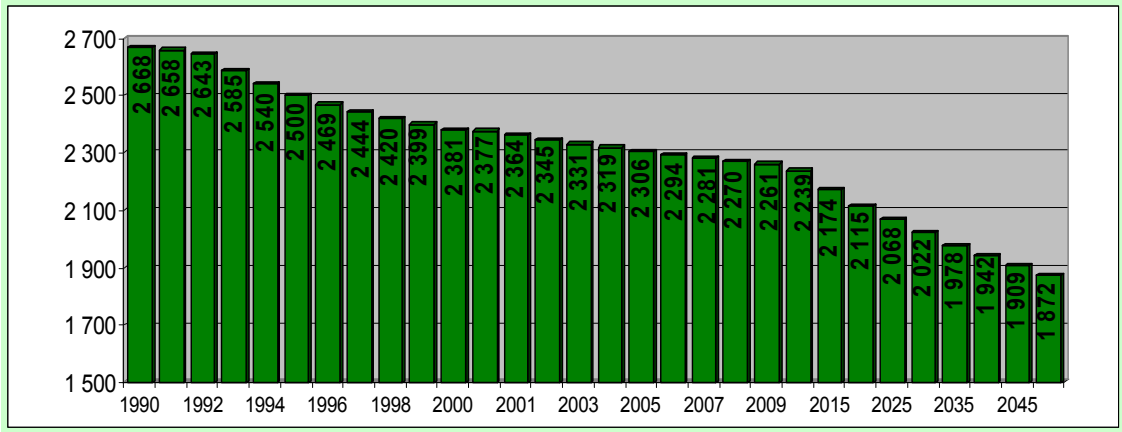

Fig.3. Changes of population in Latvia and forecast until 2050, thsd [8]

Challenge of the sustainable development is to find a way how to increase labour productivity and provides quality of life in the conditions, when aging of population, emigration and demographic burden increases. At the same time number of pupils and students decreases.

Analysis of the students' number in higher education institutions shows that indicators are higher and better in comparison with EU average. There were 554 students per 10,000 population in 2008/09 and 501 in 2009/10 academic year. Average indicator for EU is 371. Unfortunately it does not mean automatically the high quality level of education. Only 15.4% of students study in the field of natural and engineering sciences [9]. Officially there are statements that training of highly educated labour, investment in human capital, society's motivation for acquisition of knowledge are crucial for Latvia's future development and competitiveness in the 21st century. On the other hand, government's financing of higher education in Latvia continues to decrease. As a result, government financing per 1 student in Latvia proves to be among the lowest in the EU. Systematic neglect of needs of education and science, chronically insufficient and continuously reduced financing of them may lead to degradation of education level in the country. The results will be irreversible for the national economy.

In fact, it is by no means a coincidence that Latvia is now in one of the last places among the EU countries in terms of general competitiveness of national economy, productivity, GDP per capita, innovations score, and spending on R&D and education. All these facts are mutually related. This, as well as the effects of economic crisis, is an experience from which we should learn in the future.

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SUMMARY
The article devoted to the problems of competitiveness of Latvia. The global competitiveness index has decreased during previous years. The main threats are stressed. General conclusion is that a way to competitiveness enhancement and to the knowledge-society lies via innovations. The government economic policy has to be changed.
Keywords: competitiveness, innovation potential, global competitiveness index, national economy.
РЕЗЮМЕ
У статті розглянуті та проаналізовані проблеми конкурентоспроможності економіки Латвії. Глобальний індекс конкурентоспроможності знижується протягом попередніх років. Був зроблений висновок, що єдиний шлях до рішення проблем - це розвиток інноваційного потенціалу, і економічна політика держави повинна бути істотно змінена.
Ключові слова: конкурентоспроможність, інноваційний потенціал, глобальний індекс конкурентоспроможності, національна економіка.
РЕЗЮМЕ
В статье рассмотрены и проанализированы проблемы конкурентоспособности экономики Латвии. Глобальный индекс конкурентоспособности понижается в течение предыдущих лет. Был сделан вывод, что единственный путь к решению проблем – это развитие инновационного потенциала, и экономическая политика государства должна быть существенно изменена.
Ключевые слова: конкурентоспособность, инновационный потенциал, глобальный индекс конкурентоспособности, национальная экономика.

PROSPECTS FOR THE DEVELOPMENT OF INNOVATIVE ENTREPRENEURSHIP IN GEORGIA

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Under conditions of globalization based on technical revolution widespread technological changes eliminate traditional differences between low and high technological branches and shift the general vector of development from static, temporary comparative advantage to innovation based, dynamically changing competitive advantage. In other words long term upward trend in public welfare is impossible to imagine without innovations. Because of the above, since 2001 UN Development Program experts, except for the Human Development Index, have been defining Technological Development Index for every country.

One could find many definitions of innovations in the modern economic literature. Innovation is technological, technical and managerial novelty based on scientific advances and experience, as well as the latest and materialized idea recognized in the market. In a broader sense it is the outcome of ideas, experiments and research transformation, new or improved researched or social - economic results designed for practical use. The essential characteristic of innovation is novelty, ability to satisfy market demand and commercial viability.

From the novelty viewpoint, innovations include:

- New or improved goods;
- New or improved technological process;