



EU GEORGIA TRADE INSIGHT

Issue 3 JUNE 2013

CONTENTS

DCFTA Highlights

- Toward finalisation of DCFTA negotiations between the EU and Georgia 2
- The Georgian business community has met with the EU Ambassador 2
- A Workshop on 'developing competition policy' in Georgia took place on the 1st of May in Tbilisi 3

Topic At A Glance

- Trade and Quality Infrastructure 3

Did You Know That...

- Germany is the main EU trade partner of Georgia in 2012 6
- The Export Helpdesk informs Georgian exporters how to access the EU market 7
- Georgian SMEs support through the EU regional programme East Invest 7

Trade Events 8

Dear Reader,

Over the past months, the EU-Georgia trade agenda has been intense. In its third trade Newsletter, the EU Delegation will update you on the state of play of the Deep and Comprehensive Free Trade Area (DCFTA) negotiations and tell you about the trade-related activities which have taken place in Georgia.

The sixth round of negotiation on DCFTA – as part of the Association Agreement – took place at the end of March and the Parties are now approaching the finalisation of the talks.

The Vilnius Eastern Partnership Summit, to be held in November this year, should be an important milestone for a number of Eastern European countries. Since the previous Summit in 2009, we have witnessed important progress in Georgia in terms of working toward political association and economic integration with the European Union, as well as of enhancing mobility of people. Provided that negotiations are finalised and Georgia continues to adhere to core European values, the political part of the Association Agreement could be initialled in Vilnius, leading to subsequent signature, ratification and of course implementation for the benefit of all parties. The Summit, in general, will be an important forum for the Eastern Partnership countries to take stock of deliverables over the past two years.

The Newsletter also aims to get you better acquainted with key trade areas. This time, we have chosen 'Technical Barriers to Trade' (TBTs) and 'Quality Infrastructure' as the main topics. You will see that they play a crucial role in ensuring better quality of products, for the benefits of Georgia's trade and of Georgian consumers. TBTs are linked to the free movement of goods and are among the chapters discussed in the DCFTA negotiations. Substantial assistance is being provided by the European Union to improve the Georgian Quality Infrastructure.

The EU Delegation to Georgia

The Newsletter is solely distributed via electronic mail. Do not hesitate to forward it to interested persons or suggest new recipients by sending an email to Mr Antonio Lo Parco, Trade Attaché at the EU Delegation (Antonio.lo-parco@eeas.europa.eu)



DCFTA Highlights

Toward finalisation of DCFTA negotiations between the EU and Georgia

The sixth round of DCFTA negotiations between the EU and Georgia took place in Brussels on 19-21 March 2013. In between the rounds, the parties continued to meet via video-conference in order to advance discussions on outstanding issues. The parties made major progress in provisionally closing a number of chapters, such as sanitary and phytosanitary measures, intellectual property rights, trade-related energy. Talks can also be considered as closed on areas such as technical barriers to trade, sustainable development and customs and trade-facilitation and schedule for elimination of import duties for goods, where an agreement in principle has been reached. The March round was therefore very fruitful in advancing the talks, building up on progress made so far.

The parties are coming closer to the finalisation of negotiations. The main areas remaining under discussion are services – in particular the offer for provision of services (covering establishment, cross-border provision of services and movement of natural persons for business purposes) and dispute settlement where still some work is required. The parties are still to confirm the rules of origin chapter as well.

As the pace of talks continues smoothly, it can be expected that the negotiations are concluded in time for the upcoming Eastern Partnership summit, which will take place in November 2013 in Vilnius.

The parties are coming closer to the finalisation of negotiations.

The Georgian business community has met with the EU Ambassador

On April 23, the EU-Georgia Business Council (EUGBC) organized a meeting of members with Ambassador Philip Dimitrov, Head of the EU Delegation to Georgia at Tbilisi Marriott Hotel.

EUGBC has recently created a business-driven Working Group on trade and intends to raise-awareness of the DCFTA process among the business community.

The Vice Chairman of EUGBC Board, Mr Badri Japaridze, underlined that the EU-Georgia relations has entered an important phase given that the negotiations on the Association Agreement (AA), including the Deep and Comprehensive Free Trade Area (DCFTA) are being finalized. The EU Ambassador stated that he “keeps EU-Georgia Business Council close to his heart” and is happy to meet with the Council members on a regular basis as invited. The Ambassador briefed the invited guests on the current state of play of AA/DCFTA. He stated that the text of the political part of The agreement is basically closed, although few technical issues still have to be specified by the negotiating sides. Mr Dimitrov pointed out that both Georgian and European Parties have worked hard to finalize the agreement text. It is expected that the political part of the Association Agreement will be initialled at the Eastern Partnership Vilnius Summit in November 2013. Ambassador Dimitrov thereby clarified that initialling will be a first crucial step - confirming the successful completion of the negotiations - but will not imply signing and entering into force. The latter is a lengthy process, which will take considerable time along with implementation and institutionalization of the required reforms.



DCFTA Highlights

A Workshop on 'developing competition policy' in Georgia took place on the 1st of May in Tbilisi

The Workshop was organised by the EU Delegation to Georgia, with the support of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The Workshop was intended to discuss the latest development on competition with the business community. The Deputy-Minister of Economy, Ms Natia Mikeladze, presented the ongoing reforms in the competition field, which has been a priority of the Government over the past months. Professor Ketevan Lapachi presented the revised competition law. Mr Christian Blume, Case Handler at the Swedish Competition Policy also made a presentation of the EU competition policy and shared best practices from a Member State perspective.



Amendments to the current law have been proposed by the Government and will soon be submitted to the Parliament. The revised draft seeks better compliance with international and European standards and will in particular strengthen the powers of the Competition Agency.

Putting in place a solid competition policy has been a requirement of the EU and has been among the topics discussed at the DCFTA negotiations.

Topic At A Glance

Trade and Quality Infrastructure

What are the Technical Barriers to Trade (TBTs)?

The term "technical barriers to trade" (TBT) refers to mandatory technical regulations and voluntary standards that define specific characteristics that a product should have, such as its size, shape, design, labelling / marking / packaging, functionality or performance.

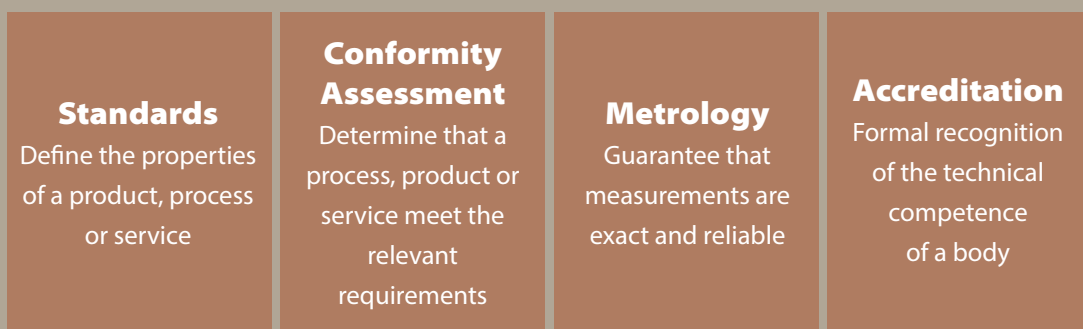
TBTs are usually introduced by government authorities with a legitimate public policy objective in mind – for example, protecting human health and safety, animal and plant life and health or the environment, or safeguarding consumers from deceptive practices. However, they are sometimes set arbitrarily and used as an excuse for protectionism.

Therefore, the World Trade Organisation's Agreement on Technical Barriers to Trade (the 'TBT Agreement') ensures that measures taken by the countries do not result in discrimination or arbitrary restrictions on international trade. The Agreement does not in any way undermine the right of governments to take measures to pursue legitimate public policy objectives, but simply ensures that such measures are prepared, adopted and applied according to some basic principles (transparency, non-discrimination, proportionality, use of international standards whenever possible and equivalence).

Why is it important to develop a national Quality Infrastructure?

The term quality infrastructure designates the infrastructure required to establish and implement the standardization, metrology, conformity assessment (inspection, testing, certification) and accreditation services in order to prove that products and services meet specific requirements. In other words, measurements, standards, testing and conformity assessment are important to assure the 'quality' of industrial products, to protect consumers and environment.

The building blocks of a national quality infrastructure



Producers and consumers make daily use of the components of the Quality Infrastructure, without always being aware of it. For instance, the fact that screws fit screw nuts, that mobile phones function and that substances in drugs are correctly dosed is the result of the Quality Infrastructure activities.

Impact on trade and competitiveness

International trade has triggered an immense exchange of products and services. Countries, if they want to be able to sell their products, have to enforce standards and technical regulations compliant with international requirements. Having in place a functioning Quality Infrastructure is therefore a prerequisite for access to regional and international markets.

A well-organized and reliable Quality Infrastructure is a precondition not only for international trade, but also for environmental protection, health care services and food safety, which require reliable standards, measurements, and tests.

Globalization means that access to market is more and more based on the quality of the products and services, rather than on the price. The competitiveness of a company will be limited if its products, services or processes do not comply with the minimum requirements for quality linked to commercial transactions. On the contrary, a good quality, reasonable prices along with equilibrated policies for promotion of products and penetration into markets, are the ones to assure competitiveness and growth.

Inter-relation between the Quality Infrastructure components

All the components of the Quality Infrastructure are closely linked:

A standard, using dimensions and properties of a product, cannot be defined without reliable measurements. The metrology thus guarantees that measures are exact and reliable. For instance, make sure that one kilogram in a country is one kilogram in another country.

Measurements must in turn be internationally harmonized to allow comparisons. A product must be submitted to testing, inspection or certification in order to determine conformity with the requirements defined in standards or technical regulations.

International compatibility requires that testing procedures would be standardized, thus leading to reliable measurements.

Accreditation assesses and recognises the competence of a conformity assessment body to perform its tasks (a testing laboratory for instance). As an example, instead of sending samples abroad for testing, a product could be locally tested by internationally recognized accredited laboratories, using internationally accepted methods.

Where does Georgia stand?

Georgia has transitioned from the post-Soviet state-controlled quality infrastructure to the new procedures compliant with international requirements. This will contribute to increase Georgia's global competitiveness by improving the quality and safety of domestic products and services. It will promote better trade integration with the European Union through making their legal requirements compatible. Many of the products exported to the EU by Georgia are unprocessed goods. Georgia can improve its trade competitiveness with higher value-added products with the EU by ensuring that it meets the quality and standards of those markets. In addition, gradual introduction of EU requirements will improve the health and safety standards of products sold to or used by Georgian consumers (ie safety of elevators, toys or medical devices, construction materials). This is what we aim to achieve with the Deep and Comprehensive Free Trade Area.

The two main Quality Infrastructure institutions in Georgia are the Georgian National Agency for Standards and Metrology (GEOSTM) and the Georgian Accreditation Center (GAC).

Because of its importance for trade and consumer safety, the establishment and development of a Quality Infrastructure is among the technical cooperation activities financed by the EU. Georgia has been benefiting from various technical assistance projects.

Two Twinning projects have been launched in Georgia:

The main goal of those Twinning Projects - to support the Georgian systems of standardization, metrology and accreditation in their way to international recognition.

The projects will contribute to the development of the Quality Infrastructure in Georgia, creating the prerequisites for assurance of quality and safety of products, services and process and will facilitate free trade and raise competitiveness of Georgian products in international markets. Those Twinning projects are complemented with the EU programme "Comprehensive Institution Building", which aims at improving the capacity-building of specific trade institutions.

Strengthening the metrology and standardisation systems in Georgia: EUR 1,4 million for a duration of 28 months. It is lead by a German-Lithuanian consortium, which shares experiences and best practices with the GEOSTM.

Strengthening Accreditation infrastructure in Georgia: EUR 1,15 million for a duration of 21 months. It is lead by a German-Latvian consortium, with the objective to upgrade the accreditation system in Georgia.

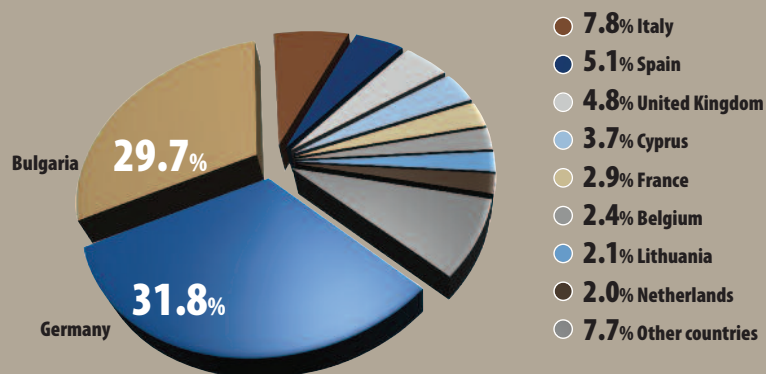


Did You Know That...

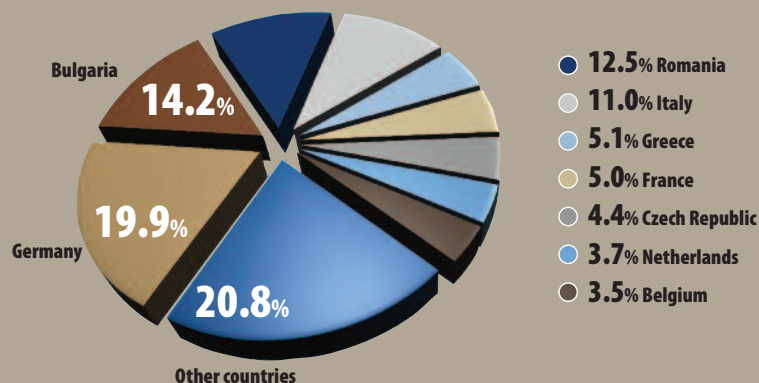
Germany is the main EU trade partner of Georgia in 2012

- The EU is N°1 trade partner for Georgia. In 2012 Georgia's trade with the EU amounted to € 2.6 billion (€ 584 million of exports to EU; € 2.1 billion of imports from EU)
- Georgia exported mainly to Germany (31.8% share of total Georgian exports to EU), followed by Bulgaria (29.7%) and Italy (7.8%);
- Georgia's main imports come from Germany (19.9% share of total Georgian imports from EU), followed by Bulgaria (14.2%) and Romania (12.5%);
- The main commodity items exported to the EU were fuel and mining products (70.5%), followed by agricultural products (15.5%);
- Main commodity items imported from the EU were machinery (32.7%) and fuel and mining products (29.9%).

GEORGIA'S EXPORTS TO EU 2012 - Country Share



GEORGIA'S IMPORTS FROM EU 2012 - Country Share



The Export Helpdesk informs Georgian exporters how to access the EU market

The Export Helpdesk is an online service of the European Commission providing free information on how to export to the European Union (http://exporthelp.europa.eu/thdapp/index_en.html)

Just in a few clicks and a Georgian company can find:

What are the legislation and regulations I have to comply with to enter the EU market?

It provides you with the full list of requirements your product needs to fulfil to enter the EU market. For instance, what sanitary requirements have to be fulfilled for my product to be imported to the EU?

How much will it cost me?

It calculates the import tariff applying to your product and informs you can benefit from a preferential tariff.

What are the customs duties to be paid when entering the EU market?

How to obtain a preferential tariff?

It explains the preferential trade agreements applying to your case and informs you on how to implement them. It also explains how to prove the origin of your product

I know I can benefit from the GSP+ but which are the documents I need to provide?

Who is importing/exporting?

It assists your market research by providing detailed statistics on product-by-product EU trade flows

What is the trade amount between Germany and Georgia for hazelnuts?

With whom can I do business?

It provides you with a list of EU trade contacts

Where & when is the biggest EU Food Fair?

The Export Helpdesk has been successfully used by many Georgian companies across various sectors since 2004. More information on its use can be provided by the EU Delegation and the Georgian National Investment Agency.

Georgian SMEs support through the EU regional programme East Invest

East Invest is a regional investment and trade facilitation project for the economic development of the Eastern Neighbourhood region, launched in the framework of the European Eastern Partnership initiative.



It targets Business support organisations and SMEs from the 6 Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine), who have potential for developing mutual cooperation and investment relations with the European Union.

Its main objectives are to promote and facilitate investment and economic cooperation at large between the EU and Eastern Partnership countries, and also between the 6 target countries; to create the “East Alliance”, mobilising business organisations from both sides to engage in a sustainable partnership and dialogue both within the private sector and towards the public authorities; and to develop concrete internationalisation activities for SMEs in the region.

East Invest offers different trainings for the business support organisations (BSOs) and SMEs from the region in areas linked to internationalisation and trade promotion.

The project started in November 2010, and is to last until October 2013.

38 Georgian companies from 6 sectors (agrifood, ICT, sustainable construction, textile, tourism, transport & logistics) were trained by European and local trainers, and those who completed the trainings successfully were invited to visit trade fairs from their specific sectors in different European countries. There are more opportunities for SMEs in East Invest, and interested companies from the sectors mentioned above are invited to contact the local partners who feature on the project website (www.east-invest.eu) for further information.

Trade events

- **29-30 May:** Wide Forum for investors in the framework of the East Invest programme, Tbilisi
- **3-4 June:** 12th meeting of the EU-Georgia sub-committee on trade, economic and related legal issues, Tbilisi
- **3 June:** meeting of DG Trade with the business community, Tbilisi

For more details regarding these events, please contact Mr Antonio Lo Parco (antonio.lo-parco@eeas.europa.eu)

