

EU statement at the Trade Policy Review of Georgia, 19/01/16

Statement by EU Deputy Ambassador Detlev Brauns

I would first like to welcome the Delegation of Georgia, led by Mr. Genadi Arveladze, Deputy Minister of Economy and Sustainable Development. My appreciation is extended to Government of Georgia and Secretariat for their inputs.

Mr. Chairman, Georgia has performed rather well economically in the recent years as demonstrated, first of all, by a real GDP growth rate averaging 5.6% during 2010-14, one of the strongest in the region and, secondly, by its good ranking (15th) in the last World Bank's annual "Ease of Doing Business" survey. Even though Georgia has been hit by a large external shock since the second half of 2014, its macroeconomic policies remained prudent and growth, although slowing down, is expected to reach 2.8% this year. The financial system, despite a large lari depreciation and high dollarization of the banking system, remains sound and well capitalized.

However, it cannot be neglected that reduced exports and remittances have led to growing external vulnerability. Therefore, while the EU acknowledges Georgia's efforts in implementing far-reaching structural reforms, inter alia the ones carried out under the 'Georgia 2020 Act', the EU believes that more can be done to strengthen Georgia's resilience to shocks, attracting additional investments and improving productivity, and thereby sustaining growth.

The EU notes Georgia's good progress as regards competition policy and in particular state aid/subsidy policy and commends the implementation of a state of the art notification system to follow up all state aid given in the country. Competition rules are being enforced which is encouraging. The EU is confident that further achievements will be obtained in this regard and is confident that Georgia will continue to invest in this area as needed.

The EU would like to commend Georgia's efforts to integrate into the world economy as reflected in the progressive liberalisation of its trade regime and its participation in, or adherence to various multilateral, regional, and bilateral trade initiatives. In particular, the EU congratulates Georgia for recently depositing the instrument of acceptance of the Trade Facilitation Agreement. Moreover, the EU welcomes Georgia's progress toward becoming full member of PanEuroMediterranean Convention on rules of origin and hopes that Georgia will soon become a Member of the Agreement on



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Government Procurement. The EU would also welcome Georgia joining the Information Technology Agreement. In the EU's view, these achievements would strengthen further the economic reform path and Georgia's integration in the international economy.

Bilaterally, Georgia is an important economic market for many European countries and companies. The EU is the first trading partner of Georgia and bilateral trade has continued to grow in the past years.

The EU welcomes the strengthening of EU-Georgia bilateral trade relations under the Association Agreement, including the DCFTA, and acknowledges that the reform process in trade areas is progressing reasonably well. Furthermore, the EU is committed to supporting Georgia's reform agenda through financial and technical cooperation. In this respect, the EU envisages an indicative financial allocation in the range of €335–410 million for the period 2014-2017 that will focus mainly on reforming the public administration and justice sectors, as well as on agriculture and rural development. The European Commission, jointly with the European Investment Bank and the European Bank for Reconstruction and Development has also recently put in place the DCFTA Facility for small and medium-sized enterprises aiming at helping them in seizing new trade opportunities with the EU as well as improve their access to finance.

The EU also acknowledges Georgia's position as a regional trade corridor and is committed to deepening and strengthening our relations with Georgia in the framework of the Eastern Partnership, set up in 2009 to accelerate political association and further economic integration between the EU and the interested Eastern Partner countries. The active Georgian contribution to the Eastern Partnership should be commended.

Mr Chairman, the EU would like now to raise a couple of concerns.

First of all, Georgia should further invest in the SPS area; in this respect, the EU would like to ask Georgia what plans it has in order to advance the regulatory framework and infra-structure for animal health control.

Secondly, although the regulatory framework for the telecommunications sector is relatively well developed, the European companies have experienced some difficulties regarding auctions for the allocation of spectrum. The EU would therefore encourage Georgia to adopt the necessary reforms in order to guarantee more transparency of the related procedures, in line with its commitments undertaken in the Telecoms Reference Paper.

Finally, the European industry is concerned by the lack of transparency regarding the new Postal Act and its possible implications for foreign postal services providers. The EU calls upon Georgia to ensure that any reforms in the sector will not lead to a deterioration of the competitive environment.

Mr Chairman, the EU is confident that Georgia will take Members' concerns duly into account. On behalf of the EU, I wish the Georgian delegation the utmost success during its Trade Policy Review.