



**EURASIA
PARTNERSHIP
FOUNDATION**

EPF Newsletter

The Eurasia Partnership Foundation's program on EU Integration is aimed at engaging civil society in Georgia in the implementation of the European Neighborhood Policy Action Plan to ensure that Georgia utilizes the EU's expertise and resources in efforts to implement political, economic and social reforms that will bring stability, improved security and social welfare. The program, which is implemented in close collaboration with other Foundations, NGOs, governmental agencies and the EU Delegation in Georgia, has mobilized civil society organizations to monitor the implementation of the European Neighbourhood Policy (ENP) Action Plan (AP) in Georgia. The program has hosted a number of roundtables on the various priority areas of the ENP Action Plan. A bilingual electronic newsletter www.enp.ge highlights the major developments around the ENP process and posts recommendations from the roundtables. EPF will continue to host roundtable discussions around the ENP process.

On a regional level, another project is fostering dialogue and collaboration between government and civil society on public policy issues common to all three ENP Action Plans in the South Caucasus. The project has several cyclical components built around the policy themes of waste management, food standards and safety, and vocational education training. These include policy forums, research grants/contracts, and complementary media components. Policy forums bring together government, civil society, businesses, and international representatives to frame the research agenda for policy reports on the three research themes from three countries in the South Caucasus. After each policy forum, a solicitation for a trilateral grant or contract is issued to support the project's policy research. A partnership of three policy research organizations (one from each country of the South Caucasus) spearheads the development of each joint policy report. The media component includes the development of four televised documentaries and six radio programs. EPF is organizing seminars on research and analysis and on EU Institutions and Instruments for grantee organizations in order to ensure high quality policy reports.

The extraordinary European Council meeting in Brussels on 1st of September 2008 has concluded to set up relations with Georgia to foster establishment of a full and comprehensive free trade area as soon as the conditions are met. To initiate the dialogue on the EU-Georgia free trade area and to enhance public awareness the Eurasia Partnership Foundation launched a new project.

Under the "EU-Georgia Free Trade Agreement: Support for stakeholders' dialogue" project Eurasia Partnership Foundation (EPF) organized its first public policy forum about the future free trade agreement (FTA) with the European Union. Participants highlighted that a deep and comprehensive FTA with the EU is crucially important for Georgia. The purpose of the forum was to promote dialogue among the government, civil society and business representatives on the establishment of a FTA between the EU and Georgia. The process engaged key stakeholders in evaluating the costs and benefits of the agreement and influencing the formulation of a clear position for the Georgian government during negotiations on a deep and comprehensive FTA with the EU. Roundtable participants discussed the following key issues: 1) The FTA as a priority for Georgia's EU integration, 2) Georgia's preparation for a FTA, 3) The impact of a FTA on the business sector, and 4) Issues related to non-tariff barriers on the EU single market.

Deputy Minister for Economic Development of Georgia Ms. Tamar Kovziridze stressed that after the war with Russia, Georgia needs two types of assistance from the EU: 1. financial assistance and 2. mutual projects to facilitate Georgia's short- and long-term economic integration into the EU. Ms. Kovziridze stressed that a deep and comprehensive FTA with the EU is more important for Georgia than a simple one. A simple FTA would bring only limited added value for two reasons: Georgia already is a beneficiary under the EU's Generalised System of Preferences (GSP+), which allows Georgian producers to export over 7,200 to the EU market without paying tariffs or levies, and Georgia has almost no import tariffs.

Head of the EC Delegation to Georgia, Ambassador Mr. Per Eklund highlighted that bilateral trade between the EU and Georgia has grown steadily in recent years with currently 30% of Georgia's exports going to the EU market. However Georgia's share in the EU's total trade is only 0.1% and Georgian exports to the EU market are not sufficiently diversified. Georgia mainly exports metals, hazelnuts, mineral waters and wine to the EU market. Having a simple FTA does not bring any significant impact for Georgia's economic development and the EU is going to sign only deep and comprehensive free trade agreements with third countries (including the free movement of trade in service and goods once a country has adopted EU regulations). Ambassador Eklund stated that Georgia must comply with certain conditions to start negotiations on a deep and comprehensive FTA. Firstly, the Georgian government must amend the Georgian Labor Code to comply with the International Labour Organization's (ILO) standards, which will be neither costly nor harm the country's economic development. Then the Georgian government will be able to extend the GSP+ agreement for two years (2009-2011). In the short term, Georgia should focus on this extension and then, based upon the new GSP+, focus

on signing a deep and comprehensive FTA. One of the preconditions for Georgia to establish a Free Trade Area¹ with the EU is to create a system of food safety and security. Georgia should pay particular attention to the implementation of the EU/Georgia ENP Action Plan in order to deepen trade relations and eradicate non-tariff barriers.

Ambassador of France (current holder of the rotating EU presidency) to Georgia Mr. Eric Fournier stressed that a deep and comprehensive FTA had been a main priority of the EU French Presidency; however the Russo-Georgia war in August 2008 has changed their priorities.

The forum participants were informed by the representative of the Office of the State Minister for European and Euro-Atlantic Integration that in mid-October a fact finding mission will visit Georgia to exchange information on starting negotiations on a deep and comprehensive FTA.

The Council of the European Union will need 4-6 months to adopt the negotiation mandate and give it to the European Commission to start the negotiations. At earliest, the agreement would be signed in 2011.

Malgorzata Jakubiak, vice president of the Polish think-tank Center for Social and Economic Research (CASE), which prepared the report "Economic Feasibility, General Economic Impact and Implications of a Free Trade Agreement Between the European Union and Georgia," stated that adopting EU regulations is costly in the short term but will bring benefits in the long term and help to meet EU standards and increase Georgian exports to the EU market.

Mr. Gilbert Hie, CEO, JSC Bank Republic/Societe Generale Group argued that a deep and comprehensive FTA might have a limited impact on Georgia's banking sector, though it would contribute to increased capacity.

RECOMMENDATIONS FOR THE GEORGIAN GOVERNMENT:

- Support a project to create independent laboratories to decrease the involvement of the state in the quality control process;
- Organize a training for employees of the National Service for Food Safety, Veterinary and Plant Protection and recruit new staff through fair and transparent competition in anticipation of three main articles of the Georgian Law on Food Safety and Quality coming into force in 2010;
- Incorporate the Border Sanitary Services into the National Service for Food Safety, Veterinary and Plant Protection;
- Launch a public awareness campaign on consumer rights;

¹ The free trade agreement would establish a free trade area encompassing Georgia and the EU.

- Enhance cooperation among various state agencies of Georgia (e.g. Ministry of Agriculture, Ministry of Justice, Ministry of Health Protection, Ministry of Foreign Affairs, Office of the State Minister for European and Euro-Atlantic Integration) while engaging in negotiations on the deep and comprehensive FTA;
- Elaborate a strategy to support the process of adopting EU regulations and standards in order to allow for immediate implementation of the deep and comprehensive FTA once it has been signed;
- Strengthen institutional capacity to implement the deep and comprehensive FTA once it is in place;
- Allocate resources to start an animal identification program that will increase Georgian meat and dairy product exports to the EU market;
- Launch a public awareness campaign through relevant state agencies about the GSP+ agreement to increase access to information for small and medium businesses about the agreement.

RECOMMENDATIONS FOR CIVIL SOCIETY AND SMEs:

- Get involved in the preparation of the deep and comprehensive FTA and provide feedback to the government through institutionalized dialogue on the issue;
- Producers need to formulate a united position in order to influence the FTA negotiation process and provide feedback to the government;
- Georgian producers have to prepare for fierce competition on the EU market after the country signs the FTA;
- Georgian SMEs have to acquire information about and begin complying with European standards and regulations.

RECOMMENDATIONS TO THE EU AND ITS MEMBER STATES:

- Help Georgia improve its sanitary norms and provide financial and technical assistance;
- EU-Georgia Agreement on Protection of Geographical Indications of Agricultural Products and Foodstuff should be signed soon. The agreement is important to protect Georgian labels (e.g. Moldova and Spain are exporting wine to the EU market using the "SAPERAVI" label – this agreement would help to protect Georgian producers).

In order to contribute to improved food standards and safety in Georgia through the proactive participation of consumers and producers, the Eurasia Partnership Foundation Georgia Office announced a request for proposals for a grant competition in support of improving food standards and safety policy in Georgia. The grant competition is a part of a larger EFG program aimed at fulfillment of EU/Georgia European Neighborhood Policy Action Plan commitments. The program's overall goal is promote civic participation in the process of monitoring the implementation of the EU/Georgia ENP Action Plan.

The "EU-Georgia Free Trade Agreement: Support for stakeholders' dialogue" project was launched in July 2008 with funding from the UK Department for International Development (DFID), the Swedish International Development Agency (SIDA) and the United States Agency for International Development (USAID).

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