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Export to the EU Market

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To ensure Georgia's continuous economic growth and development, diversification of its export markets is essential. This implies expansion of its export volume to strategically important European markets along with maintaining existing export with traditional trade partners.

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However, accessing European markets is not an easy task. Despite the economic growth that has been observed recently and somewhat favourable trade conditions with Europe (a number of positive preconditions for achieving better results are already in place, namely, Georgia's special preferential tariffs in trade with the EU – GSP+, the country's WTO membership, etc), EU-Georgia trade remains limited, with a clear need for diversification, especially when it comes to Georgian exports.

Past experience shows that third countries, including Georgia, are more capable of overcoming the EU tariff barrier (i.e. customs, VAT, excise and other administrative duties). This is particularly true in the light of a comprehensive scheme of the EU Generalized System of Preferences (GSP+). Serious impediments are mainly caused by EU non-tariff barriers, such as technical, sanitary and phito-sanitary standards as well as production, transportation, labelling and storage requirements, etc.

Exporters from third countries experience difficulties with the interpretation of and understanding EU legislation on import rules and standards. The EU single market is governed by a complex merger of EU-wide and national regulations.

It is also noteworthy that EU legislation is continuously updated and amended and therefore, needs to be closely observed. Therefore, prior to exporting to the EU market it is essential that an exporter becomes fully familiar with the requirements and technical

standards as well as customs tariffs, VAT, excise and other duties related to the export of goods to the EU market.

In this context, the Government of Georgia aims to establish an EU Georgia bilateral agreement on mutual recognition and protection of geographical indications for wine, spirits and other foodstuffs. This bilateral agreement, apart from endorsing Georgian production export to the EU market, shall provide protection of geographic indications and bilateral recognition of a product's place of origin. This will serve as a protective mechanism against possible falsification of Georgian products.

It is worthwhile to note that in the scope of the single market principles, all 27 EU member states enjoy common customs tariffs, while VAT and excise duties are independently established by EU member states and they vary according to country and type of product.

As for excise taxes, they are normally levied on alcohol, tobacco and oil products. According to its special Directive, the European Council, based on the European Commission's proposal, can allow an individual EU member state to establish a preferential agreement with a third country in terms of levying excise taxes on its imported products.

Exporters of goods and services to the EU market are also required to pay VAT. Payment of VAT is made when crossing the EU border, so that imported products are immediately put in a competitive environment along with similar EU products. VAT on services is paid at the place of services provided. As mentioned above, the EU member states independently establish VAT on different products.

It is important for Georgian exporters to know that since the end of 2005, they joined the list of 14 countries and can use a comprehensive scheme of the EU Generalized System of Preferences (GSP+). According to this scheme, 7.200 types of Georgian products are free from EU customs taxes. Considering another 2.100 types of products that are anyway freed from customs duties, in total approximately 9.300 products can access European market free of customs tax.

In order to enjoy the GSP+ preferential tariffs, it is necessary to prove that the product has originated from a GSP+ beneficiary country and its transportation to the EU has

been made directly from there. For the purpose of verification of a product's origin, it must enclose the certificate of origin, form A, developed by the EU. Georgian exporters can obtain this certificate from the Ministry of Economic Development of Georgia.

For those aiming at exporting to the EU market, the European Commission has created an internet-guide (EU export help desk - <http://exporthelp.europa.eu/>). This website provides information on EU customs tariffs, documentation requirements on import, the EU states' VAT and excise taxes, some useful trade statistics for entrepreneurs, etc. It is really important that Georgian exporters know how to use this instrument.

To summarize, in order to engage in trade with the EU, Georgian entrepreneurs need to have a good understanding of the trade related EU regulations and standards as well as knowledge of the body of legislative acts established by the EU member states.

Georgian businesses, particularly small and medium enterprises (SME), definitely require assistance in this respect. Therefore, the EU-Georgia Business Council (EUGBC) with the support of the Delegation of the European Commission (EC) to Georgia carries out the project that aims to provide the Georgian business community (mainly, SMEs) with practical information on the complex EU trade legislation, regulations, procedures, rules and standards. A series of roundtables/seminars will also be organized to provide interested parties, in different regions of Georgia, with an opportunity to better understand the requirements for trade with the EU.

The first publication of the series of brochures, Exporting to the European Union Market - Specific Issues, is already available. Its electronic version can be found on the EUGBC website at www.eugbc.net as well as on the EC Delegation's website www.delgeo.ec.europa.eu.

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