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EU standards for Georgian fruit and vegetable importers

EU-Georgian Business Council (EUGBC) supports Georgian exporters at hot European market. A publication 'Export of Fresh Fruit and Vegetables from third Countries to the European Union Market' was issued to this end.

Exports of Fresh Fruits and Vegetables to the EU market is subject to strict check of compliance with regard to EU food safety and hygiene requirements, such as restrictions on certain food additives, pesticide residues and chemical contaminants. Member States of the European Union decide where to carry out the official checks and random testing - at the points of entry, distribution or retail sale.

The EU food safety legislation stipulates that all imported food shall comply with EU food safety standards. All food importers are responsible for traceability of the food exported to the EU, which means that the importer should be able to provide all necessary information about the primary production and post harvest handling of the produce in order to satisfy EU food safety requirements. If the importer has a reasonable concern about the quality of the food imported in the EU the importer should inform relevant authorities and the food must be withdrawn from the EU market.

The publication also provides with general hygiene requirements for primary production of food, which are also applicable to growing and harvesting of fruits and vegetables. It also describes relevant EU rules on microbiological contamination, chemical contaminants, pesticides approved for use in the EU and those which are banned, also harmonized Maximum Residue Levels (MRLs) for pesticides and food additives.

The EU also sets marketing standards for fresh fruits and vegetables the third country's exporters also should comply with it. In addition to the strict regulatory framework, exporters of Fresh Fruits and Vegetables should be aware of certification and inspection rules at the point of entry into the EU.

The EU legislation defines two main food categories: food of animal origin and non-animal origin. All agricultural products including Fresh Fruits and Vegetables belong to the latter. Fresh Fruits and Vegetables include fresh fruits, vegetables, herbs, sprouts, mushrooms as well as precut ready to eat fruits and vegetables. Food of non-animal origin is entitled to less strict import rules in the EU than the food of animal origin. While third country exporters of products of animal origin need to acquire a special imports approval from the EU (and need an adjunction to the list of third country enterprises, which are allowed to export food of animal origin to the EU market) this rule doesn't apply to the exporters of the products of non-animal origin.

According to the EU marketing standards Fresh Fruits and Vegetables are allowed on the EU market, if the products are sound, of market quality and if the country of origin is marked on the product. Marketing standards specify the quality, classification, size, packaging, storing, transporting, presentation and labeling requirements of the products. The purpose of marketing standards is to inform consumers about the quality of the product and its origin.

In order to ensure that Fresh Fruits and Vegetables exports from third countries meet the EU marketing

standards, exporters are required to have a Certificate of Conformity that can be acquired by the third country exporters either in the exporting country or at the point of entry into the European Union. Inspection bodies of the EU Member States carry out conformity checks of consignments of Fresh Fruits and Vegetables with the information provided in the Certificate of Conformity.

Moreover third country exporters are required to provide a Phytosanitary Certificate at the point of entry into the European Union issued by the competent authority in the third country and confirming that the exported agricultural products are not contaminated with harmful chemical contaminants or micro-organisms, which can cause harm to human or plant health and which are capable of carrying plant diseases.

Free virtual zones for IT development in Georgia

Virtual Zones freed from taxes and special regulations will be introduced in Georgia soon to give an impetus to sluggish Georgian Information Technology (IT) market.

Georgian government plans to create several tax-and-regulation free virtual zones in Georgia. Any local or foreign investor that will be operating in those zones and producing IT product will be free of income, excise, customs and gain taxes. Moreover, the preferences will be introduced in other business regulations but government has no detailed plan to this end; it is still under investigation; it is supposed to be outlined by the second hearing of the bill that was already approved by the first hearing at the extraordinary session on July 16, 2010.

What is known for sure is that irrespective of the fact whether the producer company is a local or foreign-based, the exported Georgian IT product will be exempted from taxes, Natia Mikeladze, Deputy Finance Minister of Georgia, told Georgian Journal. The governmental understanding is that IT technologies are underdeveloped in Georgia while it is the basis of modern world and economy. To boost the sector and produce computers and IT programs locally, the questioned field needs preferences.

"The aim of the bill for virtual zones is to create an attractive business climate for companies operating in IT sector in Georgia," Mikeladze said.

This is a bill that will support IT development [in Georgia] as much as possible, " Nika Gilauri, Prime Minister of Georgia, said at governmental sitting on June 18, 2010 prior the questioned bill was submitted to parliament. "We have created Free Industrial Zones where the export-oriented companies enjoy the biggest possible tax preferences; we want also to make Georgia as the tax free zone for companies that will be oriented on computer technology's development, i.e. at IT development."

According to him, a foreign-based company can establish a company in Georgia and pay minimal for that. Government expects that big companies like Microsoft will be attracted to enter Georgia as a result of creation of free virtual zones. According to Mikeladze, there is a great interest and after the Primer trumpeted the news on creation of free virtual zones and it was put on web sites of the State Chancellery and Ministry of Finances of Georgia, people [very likely potential investors] from Ukraine, Poland and other countries have been calling on hot-line to find out details of the initiative.

Government initiated a bill for so called Virtual Zones early in June of 2010 and slated it for the autumn parliamentary sessions, however due to unexpectedly big resonance government decided to accelerate the parliamentary procedures and approve the bill at the extraordinary sessions in summer so as to have the law by August to respond the demand and observe how it will work and what interest will ensue.

Mikeladze believes that big international IT companies will be interested in Georgia because tax-free export enables them to cut down prices at international market and be more competitive. As to budgetary impact that a tax-free initiative can inflict, Mikeladze expects no impact in fact, as far as there is no company operating in

Georgia that produces local IT product and pays taxes at the moment. All IT-related businesses actually are importers and distributors of foreign product and pay all due taxes commensurately.

"The idea of virtual zones is that tax-preferences cover the locally produced goods, not a single imported IT product," Mikeladze said.

On the other hand government's expectation is that the foreign investors will improve professional skills of local personnel. To insure smooth operation of IT product producing in Georgia any company needs high skilled professionals and they are supposed to bring their top-class labor-force in Georgia as well as retrain local professionals that apparently are quite talented. At any rate Georgia is supposed to be at gain. There are many self-educated IT specialists in Georgia that have better skills and smarts than their foreign well-educated peers, Mikeladze said.

Irakli Kashibadze, head of Communication and Information Technology Department in Economic and Stable Development Ministry, says that Georgia should be not only consumer, but also producer of new information technologies and services.

"For that end, complex actions should be conducted, including legal amendments as well," Kashibadze reported to Sarke news agency on July 13, 2010. However, he shied to comment on the issue to GJ.

Georgian wine export umbrella halted?

The unified umbrella program of Georgian wines' export to the US and Canada has stumbled. Georgian government and wine companies cannot achieve an agreement over financing the program.

Georgian wine export for six months of this year showed about 50% of growth compared to the previous year that was affected by the crisis. The information is encouraging after the 10% of slump in wine export of 2009; however it still lags behind the wine export figure benchmarked before the Russian embargo was imposed in 2006 on Georgian agriculture products.

According to the official statistics, prior to the Russian embargo, out of roughly 19 million bottles of total Georgian wine export, 10 million bottles went to Russia. The export figure slightly exceeded 968 thousand bottles past year. Georgian government hopes the figure will double this year because according to six months' data, the wine export grew roughly by 50%, Vasiko Managadze, Chairman of State Department of Vine and Wine Samtrest at the Ministry of Agriculture of Georgia (MOA) said.

To facilitate Georgian wine export, MOA undertook a two-year pilot program of promoting Georgian wines under a unified umbrella at the US and Canadian markets. The pilot program includes an idea of putting a sticker with the inscription 'Wines of Georgia' on all wine bottles exported to the US and Canada starting September of 2010. The governmental understanding is that promotion of Georgian wine brands under the unified umbrella will insure Georgian product against counterfeit and raise awareness of Georgian brands at the overseas markets.

American market is supposed to be a guarantee of further success of Georgian wines globe over, Georgian government believes; as far as America is a number two biggest wine importer country world over after the UK, and its consumers, unlike the UK and other EU consumers, are not conservative and willingly receive novelty. Some new world countries including South Africa and Australia have achieved their success in wine export through American market and Georgia is supposed to follow suit.

Georgian government pledged to earmark USD 500 thousand out of state budget for this purpose this year. The Association of Wine-Makers was involved in the project to scrutinize details and the program is supposed to launch starting September of this year. However, wine companies claim things changed dramatically starting July 14, and do not rule out that the program can be delayed.

Georgian government has to sign a contract with US-based marketing company so as to implement export of Georgian wines under umbrella starting this September, however according to wine companies [that appear unwilling to name themselves] financing the program and proposed wine companies offered to finance the program on the 50-50% basis participation together with state and wine association. Wine companies were somewhat prepared to finance the program by 10% as the state promised to cover the remaining 90%, and this plan has been discussed for six months. But they were staggered when government demanded 50% of financing out of blue.

According to incognito source of Georgian Journal, it came out that each company had to pay USD 50 thousand instantly.

"Nobody has that amount of money in the pocket," a wine company spokesperson said. "If we knew it earlier it would be all right, we would be prepared and aware of this fact, but to pose the fact without consultations is no business. The US-based marketing company got upset and refused the deal. Now we have to go through all procedures anew, when all was smooth and fine and arranged. Anyway we thought so."

Samtrest did not provide with timely comments over the issue that lays ground to speculations and suspects.

On the other hand, wine companies think the umbrella idea should be worked out for all markets not to US and Canadian markets exclusively. They think that government has to work out a concerted strategy first to promote the country first and foremost, and then think of promoting the brand in different countries.