Fertilizer and nuts not enough-Georgian exports to EU have space to grow
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Georgia's trade balance has been significantly worsened since the country lost access to the Russian market. In 2006's first quarter data, the trade deficit increased by 64 percent. Finding new, alternative markets has taken on vital importance for the country. The EU, which has given special trading preferences to Georgia, may be that direly needed market. But Georgia has not been able to make full use of its advantages.

A year ago, Georgia received special trade preferences from the EU. Previously included under the EU's Generalized System of Preferences (GSP), Georgia was granted further preferences as a beneficiary country of the GSP+ system, which is designed to assist and offer incentives to developing nations. The GSP+ arrangement allows Georgia largely duty- and quota-free access to the EU market for seven thousand different categories of products. This means that products imported from the EU to Georgia are taxed, but no tax is levied on the majority of products Georgia exports there. Such a tax regime is not particularly profitable for the EU, although the amount of Georgian exports is so small that this arrangement poses no danger to Europe's market, according to the newspaper Rezonansi.

In January through May of 2006, Georgia's foreign trade turnover to EU countries totaled USD 382.5 million, which is 40 percent more than the same time period in 2005. Of that figure, Georgia's exports totaled USD 55 million; products imported to the country made up the remaining USD 327.5 million.

The data clearly shows that despite the established trade preferences granted to Georgia, imported products greatly overshadow goods exported to EU countries. Nitrate fertilizer is the foremost product exported to Europe, followed by nuts and mineral water.

Three months ago the EU-Georgia Business Council began operations, based in Brussels under the leadership of General Director Konstantine Zaldastanishvili. The business council assists Georgian companies in penetrating the EU market. Currently there are twelve Georgian companies enlisted in the council, reports the newspaper 24 Saati.

Georgian businesspeople face a paucity of information, which is a factor in the failure of Georgian exports to increase their share in the European market. The primary difficulty, however, is that the level of domestic production is not yet capable of satisfying European market demands.

"Georgian business does not have the capacity to manufacture the products which the European market needs," Rezonansi reports the economist Emzar Jgerenaia as saying.

Experts contend that it is necessary to create special programs to attract investors to the country, where capital is needed to modernize production infrastructure and technology. There is still much to do if Georgia wants to see its trade balance in the black.