The Moscow Times
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EU Trade Deal Will Be Turning Point for Georgia, EBRD Says

By The Moscow Times

June 15, 2014

TBILISI — A looming trade deal with the European Union will be a "game changer" for Georgia, connecting its firms to one of the world's biggest markets, a development bank said, although it will take three to five years for the ex-Soviet republic to feel the benefits.

Georgia, a small Caucasus state of 4.5 million, which hosts pipelines that pump oil and gas from the landlocked Caspian Sea to world markets, plans to sign an association agreement with the EU on June 27.

It views the deal as a crucial step towards eventual full EU membership.

The EU has urged Russia not to stand in the way of Georgia and another former Soviet republic, Moldova, signing the deal, following the conflict caused by Ukraine's lurch to the west.

"The agreement Georgia is planning to sign is certainly going to give a further boost to the economy, even if the benefits are not necessarily going to be shown in a month, and rather in years," said Andras Simor, vice president for policy at the European Bank for Reconstruction and Development, or EBRD.

"This is going to be a total game changer for Georgia going forward," he said, adding it would attract investors.

Foreign direct investment to Georgia rose by 15 percent on the year to a modest $260 million in the first quarter of 2014.

The EBRD is owned by 64 countries and the EU, and invests mostly in private sector clients whose needs cannot be met by the market.

Simor said closer ties with the EU would allow Georgian companies a chance to operate freely in Europe. Experts expect Georgian exports to the EU to rise by 12 percent after the signing. The EU share in the country's total trade turnover stands at 27 percent. It totaled about $11 billion in 2013.

Simor said many countries, perhaps even Russia, might establish companies in Georgia in order to export to the EU. Exposure to the European market would also create jobs in Georgia, where unemployment stands at 15 percent.

Simor added that new regulations would require Georgian exporters to improve product quality. Easier access to funding for small- and medium-size companies, as well as more flexible provision of local currency financing would also be needed.

"I think ... in three to five years you are going to see a meaningful impact of these changes on peoples' lives," Simor said.

The EBRD vice president praised Georgia's "robust economic performance", although the bank reduced the country's gross domestic product growth forecast for this year to 4 percent in May from a previous 4.5 percent, due to risks stemming from the Ukraine conflict. Georgia's GDP grew 3.2 percent in 2013.

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