

**Time for change:  
EU trade policy towards the Eastern Partners  
(case of Georgia)**

Patrick Messerlin, Michael Emerson, Gia Janderi, Alexandre le Vernoy

We have just completed a study<sup>1</sup> assessing the present state of the EU-Georgia discussions on a free trade agreement – to say “negotiations” would be premature since the Commission has insisted on a hugely demanding set of preconditions before agreeing to open negotiations.

The case of Georgia is unique in two respects. On the one hand, Georgia’s own trade policy is more open towards the EU than vice versa, and Georgia has achieved governance reforms on a par with some of the old and new EU Member States. On the other hand, the Commission is insisting on a complex set of preconditions being met before the opening of negotiations, which it has not done in the case of other neighbouring countries (Eastern or Southern). Taking both factors together, the Commission’s approach is strikingly anomalous.

The study argues that the Commission’s approach is bad from three perspectives. It is a bad development policy for Georgia. It requires Georgia to adopt and implement an enormous amount of imprecisely identified EU internal market regulations going way beyond strictly trade-related matters, with no attempt to identify those which make sound economic sense for Georgia (and indeed for the Eastern neighbours in general). The burdensome regulatory changes imposed on Georgia are equivalent to taxing Georgian production – endangering her growth, the sustainability of her reforms and of her successful fight against corruption which is so crucial for her long term development.

For instance, the preconditions on *industrial technical norms* amount to a tax on Georgian industrial production which would inevitably slow down and distort Georgia’s process of industrialization. The preconditions in *sanitary and phytosanitary measures* would trigger an average price increase of 90% for the key food products purchased by the third of the Georgians that lives in poverty. Finally, some requirements simply lack any rationale, such as the obligation to implement EU norms on cable-cars and lifts when Georgia does not produce at all these products.

---

<sup>1</sup> An Appraisal of the EU’s Trade Policy towards its Eastern Neighbours: the Case of Georgia, CEPS & Sciences Po, Paris

The Commission's approach is also a bad commercial policy for the EU since it would lead more to an expansion of the trade between Georgia and non-EU countries, rather than between Georgia and the EU. Georgian consumers would be induced to import what Georgian producers could not sell any more because of EU norms; and their low incomes will induce them to turn to imports from non-EU sources less expensive than those from the EU. Meanwhile, those Georgian producers which would not be able to sell their products anymore on Georgian markets under EU norms would - in order to survive - try to sell them to foreign markets using non-EU norms, boosting artificially Georgia's exports to non-EU countries.

Finally, the Commission's approach is a bad foreign policy for the EU. All these preconditions show the EU as being insensitively domineering towards its very much smaller neighbour, not an enlightened and trustable anchor. They are imposed on a country that is granted no EU membership perspective (even the accession candidates did not have to do this before the opening of their negotiations). They would make EU DCFTA partners appear like EU Member State clones, but (i) without full access to the EU markets in agriculture and services (ii) without EU aid and (iii) without a voice in the future EU decisions.

There is thus an urgent need to reshape the Commission's approach. The evaluations of the current preconditions made in the study suggest a set of concrete proposals:

- a. The EU should open negotiations with Georgia without further delay since Georgia has more than satisfied the relevant subset of preconditions.
- b. The EU should make use of recent developments in the flexibility of EU law and practices which are ignored by the Commission's current approach towards Georgia. These developments are rich enough to cope with many of the current difficulties, as shown by the nine detailed proposals suggested by this study.
- c. More broadly, the EU should design a pro-growth DCFTA process based on an integrated sequence of successive sets of commitments. Georgia would be asked to take on board these successive commitments as and when her GDP per capita will reach agreed thresholds (as the *acquis* consists of fixed costs, it is easier to absorb when the income level is higher).
- d. The EU should encourage—not restrain—Georgia to pursue and develop her successful ongoing unilateral reforms.

The proposals focus on the Georgia's side because the study relies on the proposition that a DCFTA should first and foremost boost the EU partner's growth and development. However, this study also points to the need for serious reforms on the EU side:

- a. The DCFTA doctrine should be made clearer and adapted to the circumstances of the EU partner, rather than push a "one-size-fits-all" dogma for all of Eastern Europe (whereas the South Mediterranean neighbourhood has quite different trade agreements).
- b. The Commission should improve its coordination among its services if the EU wants ambitious DCFTA covering topics far away from trade issues.

These steps should be set in motion well before the Autumn 2011 Eastern Partnership Summit.

Patrick Messerlin (lead author) is Professor of economics at Sciences Po and Director, Groupe d'Économie Mondiale at Sciences Po, Paris. Michael Emerson is Associate Senior Research Fellow, CEPS, Brussels. Gia Jandieri is Vice-President, New Economic School-Georgia, Tbilisi. Alexandre Le Vernoy is Research Fellow, Groupe d'Économie Mondiale at Sciences Po, Paris. The study was undertaken as part of the PASOS Policy Think Tank Bridging Initiative, a project of PASOS (Policy Association for an Open Society), supported by the Local Government and Public Service Reform Initiative (LGI) of Open Society Foundations.



GEM  
Groupe d'Économie Mondiale

