

Georgia Wants To Be In Europe, But Without Eu-Style Bureaucracy

georgiatoday.ge/news/15076/Georgia-Wants-To-Be-In-Europe%2C-But-Without-Eu-Style-Bureaucracy

Georgian cucumbers do not always fit the EU cucumber legal class I standard. But, their crunchiness and taste are difficult to resist.

In a rare about-face, the Georgian government announced today, 1 April, 2019, that it will impose a 9-month moratorium, effective immediately, on the further introduction of EU-style regulations. A new plan of regulatory approximation will be negotiated, until January 1, 2020 - but not

with the EU: with the Georgian business community. The goal is to make sure that companies receive enough time – and adequate support – for successful adjustment.

Sharing the stage with EU High Representative for Foreign Affairs and Security Policy Federica Mogherini, and Georgian Minister of Economic Development Giorgi Kobulia, Prime Minister Mamuka Bakhtadze assured the audience that the Georgian Dream party does not have any second thoughts about joining the European family of nations.

“We can state with full confidence that our relations with the European Union are at an all-time high,” Prime Minister Bakhtadze said in his opening remarks. “We are ready to carry out a full legislative and institutional alignment, which is a mandatory requirement for the country's European and Euro-Atlantic integration,” added Bakhtadze, “however, we do not have the financial, human and institutional capacities to fulfill our obligations according to the original schedule agreed with the European Union. Rome wasn’t built in a day, and building a modern Georgia will also require more time,” he emphasized.

Bakhtadze’s announcement sent shockwaves through the audience. However, it should not have. Firstly, Georgia experienced similar policy reversals in its recent past, such as when hastily introducing and then annulling EU-style migration policies in June 2015. Moreover, calls for a more measured approach to regulatory approximation with the EU became more and more audible in recent months, coming from all quarters of the Georgian society. Political pressure has been building up, and last week’s protests against the new taxi licensing requirements were but the straw that broke the camel’s back.



A further surprise was provided by EU's Mogherini. "We fully support the Georgian government's decision to slow down the process of regulatory alignment with the EU," said Federica Mogherini. "Let's face it," she assessed candidly, "Hasty copy-pasting compromises the very idea of EU integration, helping Russian disinformation efforts. Georgia has to reform its economy and institutions, but it should do so at a pace that can be sustained by its people and businesses. This would put the process of Georgian-EU integration on a much firmer foundation. If Georgia needs more time to respect its obligations under the EU Association Agreement, we are happy to grant it."

Minister of Economic Development Giorgi Kobulia shared the results of an independent study by Tbilinomics Policy Advisors showing the extent to which Georgia's labor market is being strained by the process of regulatory approximation with the EU. Of Georgia's total population of 3.7mln, only about 550,000 (approximately 15%) are officially employed in the modern sector of the economy. And of these, about 20,000 (close to 5% of the hired workforce) will be employed in monitoring the implementation of various regulations, from labor safety to environment to food safety and advertising. "Even if we ignore the cost of EU-style regulations for Georgian businesses," said Kobulia, formerly a Senior Partner with McKinsey, "diverting so many well-educated workers into unproductive inspection jobs prevents us from fully realizing our economic potential. This is not something Georgia can afford at this stage in its development."

A WARM WELCOME BY THE GEORGIAN BUSINESS COMMUNITY

The Georgian business community welcomed greater pragmatism in Georgia-EU relations. "Better late than never," said Fady Asly, Chair of the International Chamber of Commerce. "We will work with the Georgian government to develop a new timetable for the various approximation measures. Our goal will be to make ensure that decisions are better coordinated and businesses get full predictability as to the timelines and process of harmonization. There should be no more unpleasant surprises."

Irakli Burdiladze, General Director of m2, a major actor in Georgia's real estate market, also supported the government's decision to slow down the introduction of new regulations. "With the new safety regulations going into effect on January 1, 2019, we were afraid to be the "last man standing" in the Georgian construction sector. Smaller companies have a very hard time adjusting. Many are being driven into bankruptcy, reducing competition in the sector and increasing real estate prices."

According to Georgian Industrial Group's David Bezhuashvili, the country's mining industry is very far from being ready to approximate EU safety or any other norms. "We may be ok by Ukrainian standards, but any German inspector would refuse to enter our mining shafts and tunnels in Tkibuli," said Bezhuashvili. "More than 2000 workers are employed in our coal

mining operations, and we will be extremely happy to cooperate with the government on a gradual implementation of sound safety practices in our facilities. 'Gradually' is a key word here."

A similar note was struck by Nino Zambakhidze, Georgian Farmer Association's Chairwoman, who recently met President Trump together with a group of female leaders from around the world. "President Trump believes in America First strategy," stated Nino, "and I believe in Georgia First. Georgian farmers, members of our association, are not able to comply with the traceability and other food safety requirements. We should not put the cart of EU regulations before the Georgian farmer's horse. First, we should develop our agriculture and only then worry about traceability. For now, we hardly have any export-worthy products to trace."

AND CONSTRUCTIVE CRITIQUE

The only dissenting voices in the crowd belonged to a couple of civil society organizations.

David Chipashvili of the environmental watchdog Green Alternative was quite blunt in his assessment: "The government is deceiving us. They say they care about jobs, but what they really care about is people's votes. Yes, I understand that imposing EU-style environmental regulations may cause some difficulty to our manufacturers, but why should we care? Manufacturing has never been a traditional Georgian thing, and for good reasons. Our ancestors have always believed that freedom is in the mountains. We should take good care of our mountains – they are our past and our future, the ultimate guarantee of the survival of the Georgian nation. Manufacturing is based on the exploitation of workers, on slave labor. Industrial capital moves to countries with the cheapest labor, and it is perfectly fine with me – let other people work in terrible assembly line jobs, sewing clothes or packaging. This is not how we, the proud Georgian nation, see the future of our 'good boys' (kargi bichi)."

Gela Kvashilava of the NGO Alliance for Road Safety lamented the delay in the implementation of tougher taxi market regulations. "Any leniency in the enforcement of road safety measures, be it technical inspections or anything else, translates into additional accidents and loss of life," Kvashilava explained his position. "If it were up to us, we would take off Georgian roads about 70% of old vehicles. Tbilisi's city center should be declared a pedestrian zone. Let's go back to our horse riding traditions, to our centuries-old rustic ways of life. Alexander Chavchavadze was a pioneer of European-style carriages in the 19th century, and what happened to him? As we all know, he died in a carriage accident. How can we not learn from history?"

In closing, Prime Minister Bakhtadze reiterated the Georgian Dream coalition's determination to take further steps beyond the Association Agreement, toward a deeper and more comprehensive integration, including sectoral integration. "Our decision today

serves only one purpose: to allow Georgia enough time to make necessary adjustments. We want to be a part of Europe, but cannot afford EU-style bureaucracy, at least not immediately”.

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01 April 2019 17:33