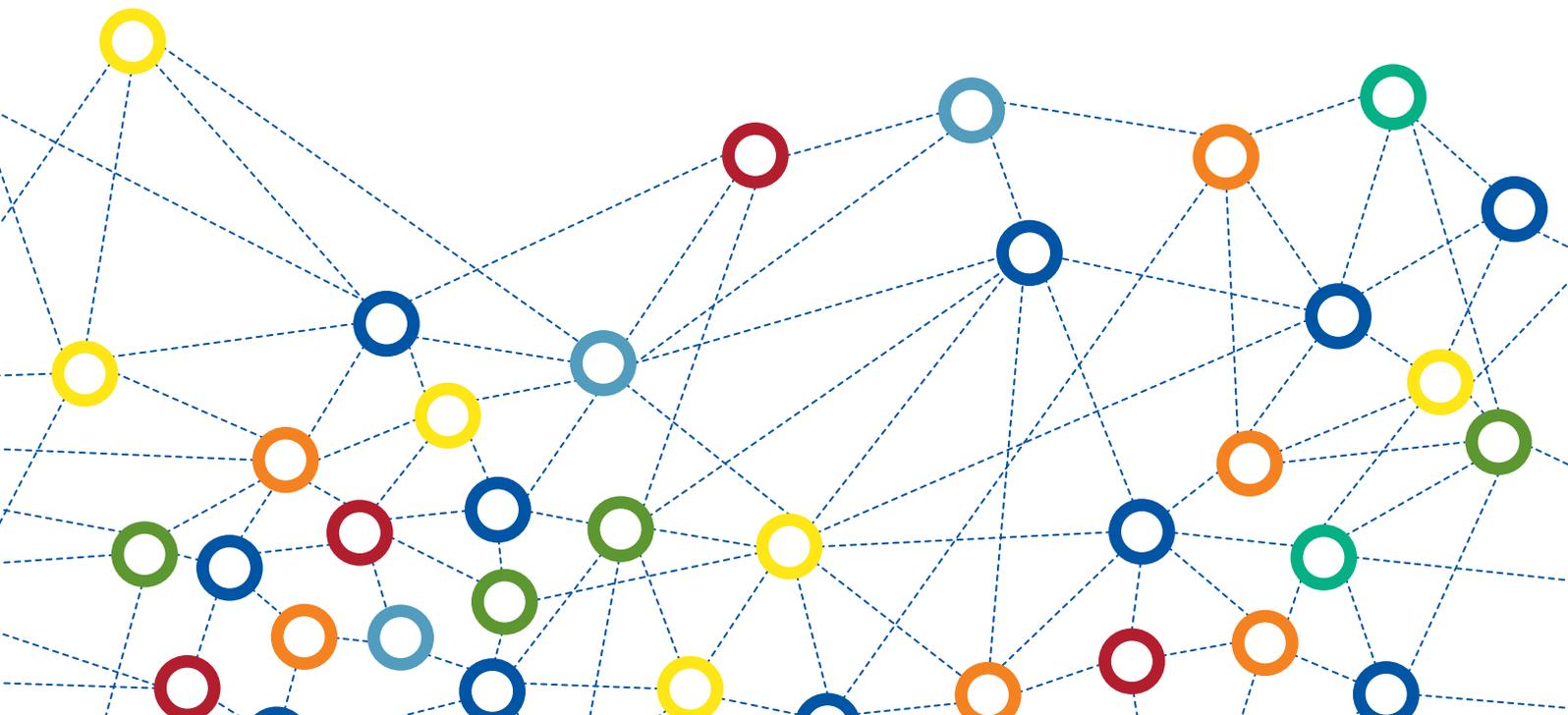


# How to benefit from DCFTA

## Practical guide



**LATVIJAS  
BIZNESĀ  
SAVIENĪBA**



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# INTRODUCTION

This handbook is a result of a project “Benefitting from EU open market: SMEs practical guide to DCFTA learning from experience of Latvia” supported by Eastern Partnership Civil Society Forum Re-granting Scheme. The project was implemented by Georgian association “Women in Business” ([www.gawb.ge](http://www.gawb.ge)), Business Union of Latvia ([www.savieniba.lv](http://www.savieniba.lv)), Social Strategic Researches and Analytical Investigations Public Union (Azerbaijan) and NGO BIOS (Moldova, <http://bios.ong.md>).

The handbook is based on the round table discussion held in Tbilisi with participation of entrepreneurs and government representatives and series of workshops held in partner countries.

The project partners and authors of this handbook extend their hope that the information gathered in this handbook will help SME's and their representatives to better prepare themselves for the battle that is waiting for them trying to export to such saturated market as European Union.

## Authors:

Gunta Misāne, Eduards Filippovs (Latvia)  
Nino Elizbarashvili, Revaz Burchuladze (Georgia)  
Ilqar Huseynli, Elkhan Heydarli (Azerbaijan)  
Eugen Roscovanu, Valentin Ciobotaru (Moldova)

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Georgian association “Women in Business”  
Business Union of Latvia  
Social Strategic Researches and Analytical Investigations Public Union (Azerbaijan)  
NGO BIOS (Moldova)

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Key areas of support are democracy and human rights, economic integration, environment and energy, contacts between people, social and labour policies.

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## Part 1. What is DCFTA and what kind of opportunities it provides to business?

If we would play a game asking people to guess – what does letters DCFTA stand for - we would have some peculiar answers. No, it is not Dark Cat Feeling Tricky Always or District of Columbia Freight Transport Association.



**DCFTA stands for - (D) Deep and (C) Comprehensive (F) Free (T) Trade (A) Area**

DCFTA is part of Association Agreements (AA) that have been signed between the European Union (EU) and Georgia, Moldova and Ukraine. These Association Agreements in turn is result of the Eastern Partnership (EaP) -- a specific Eastern dimension to the European Neighbourhood Policy (ENP).

Although Eastern Partnership covers EU relations with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, only Georgia, Moldova and Ukraine have taken necessary steps for closer co-operation with EU. In relations with Armenia, Azerbaijan, Belarus EU will follow a more differentiated and tailored approach.



If you want to work with EU get ready to learn a lot of abbreviations! Otherwise reading official documents or reports might be a nightmare.

The main intention of DCFTA agreements is to create preferential trade relationships, based on mutually advantageous treatment, giving to each other better access to their markets than that offered to other trade partners.

DCFTA agreements cover a range of topics like lifting technical barriers to trade, reducing tariffs, quotas for the trade, approximation of sanitary and phytosanitary measures, securing intellectual property rights, ensuring fair competition, transparent public procurement also other issues with aim to align rules of operation for businesses in trade partner countries.

Although DCFTA agreements in all three countries follow the same outline and structure, each of the agreements is slightly different depending on the specific nature of situation in each country.

DCFTA provides opportunities not only to large companies, but also to small and medium enterprises (SMEs):

- Helps SMEs to seize new trade opportunities with the EU and within the region which have been opened up thanks to the DCFTA;
- Improves access to finance for SMEs, enabling them to make the necessary investments to increase their competitiveness;
- Allows SMEs to integrate into global value chains by becoming business partners of foreign direct investors;
- Enables SMEs to comply with new sanitary, phytosanitary, technical and quality standards, as well as with environmental protection measures, thereby benefiting local customers and boosting exports to the EU and beyond.

## Part 2. DCFTA status in Georgia, Azerbaijan and Moldova

	Georgia		Moldova		Azerbaijan	
<b>Year of signing DCFTA</b>	2014		2014		DCFTA not signed	
<b>Year of coming into force of DCFTA</b>	September 1, 2014		July 1, 2016 (provisionally – since 2014)		DCFTA not in force	
<b>Export to EU</b>	Mio EUR <sup>1</sup>	% of all export	Mio EUR	% of all export	Mio EUR	% of all export
<b>2000</b>	59,03	24,4%	123,69	35,1%	Not available	Not available
<b>2010</b>	231,43	18,4%	545,53	47,3%	10 300,0	51,4%
<b>2014</b>	514,13	21,8%	1 026,26	53,26%	13 200,0	53%
<b>2015</b>	592,65	29,3%	1 118,39	61,91%	10 700,0	53%
<b>2016</b>	542,77	27,1%	1 264,03	65,14%	7 600,0	43,2%
<b>Top 5 export products to EU</b>	<ul style="list-style-type: none"> <li>● As of 2016</li> <li>● Ores and concentrates of copper - 54,6%</li> <li>● Ferroalloys – 29,6%</li> <li>● Grapes natural wines - 19,8%</li> <li>● Nut products - 25,3%</li> <li>● Alcoholic beverages - 16%</li> <li>● The waters are mineral and carbon 13,9%</li> </ul>		<ul style="list-style-type: none"> <li>● Electrical machinery and apparatus and parts thereof (including non-electrical equivalents of machines and appliance-19%</li> <li>● Clothing and accessories -16%</li> <li>● Seeds and oleaginous fruits - 12%</li> <li>● Vegetables and fruits-9%</li> <li>● Beverages - 4%</li> </ul>		<ul style="list-style-type: none"> <li>● Mineral fuel, lubricants, etc. - 98%</li> <li>● Food and live animals - 0,7%</li> <li>● Manufactured goods - 0,5%</li> <li>● Machinery and transport - 0,3%</li> <li>● Chemicals - 0,2%</li> <li>● Crude materials -0,1%</li> </ul>	

### Georgia

#### History and legal background for trade relations

The Association Agreement between the European Union (EU) and Georgia is a comprehensive treaty covering Georgia's relationship with the EU.

On June 27, 2014, Georgia signed the EU Association Agreement, which came into force on September 1, 2014. The DCFTA is document of vital importance, which will enable Georgian entrepreneurs to ensure a place for Georgian products in one of the largest global markets.

<sup>1</sup> For Moldova and Georgia calculation in EUR from USD made based on official rate on December 31 of the respective year [https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/euro\\_reference\\_exchange\\_rates/html/index.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html)

The agreement incorporates elements which encourage improvements in the rule of law and in effective governance, as well as further moves towards a well-functioning market economy through the removal of tariff and non-tariff barriers it includes a wide range of trade-related issues: trade in goods, trade in services, sanitary and phytosanitary measures, technical barriers to trade, rules of origin, customs and trade facilitation, intellectual property rights, public procurement, competition, trade remedies and sustainable development and envisages gradual approximation of the Georgian legislation with the EU legislation, and allows Georgian producers to export majority of their goods without tariff barriers to the additional 14-mln high purchasing power consumer market.

In addition, while the Agreement is intensely technical, it is an act of geopolitical significance for Georgia, affirming its European identity and its strategic foreign policy priority of developing closer ties with the EU.

Within the framework of the DCFTA with the European Union, Georgia are undertaken to bring the production process and quality closer to EU standards in order to make the products produced in these queues freely available to the EU market. However, regulations demanded within the DCFTA concern not only the entrepreneurs and exporters of the EU but also all the companies, as the agreement of the domestic business environment should be changed. The amendments are particularly acute for small and medium businesses that need additional skills and financial means to be able to bring their production process and infrastructure closer to European standards.

Along with Association agreement, one of the most important treaties for foreign trade with other non-EU countries is The Free Trade Agreement between Georgia and European Free Trade Association (EFTA), signed in June 2016 and entered into force on 1st September 2017. At this stage, the agreement has entered into force only among Georgia, Norway and Iceland. For Switzerland and Lichtenstein, the agreement will enter into force in 3 months after the ratification of the agreement by both countries.

Georgia is also the beneficiary of the general system of preferences (GSP) of the following countries: USA, Japan, Canada. Georgia has free trade regime with all the CIS countries and Turkey. The main essence of the GSP is to establish a lower rate of basic import tariffs for imported goods from beneficiary countries, which facilitates access to developing countries in the developed countries.

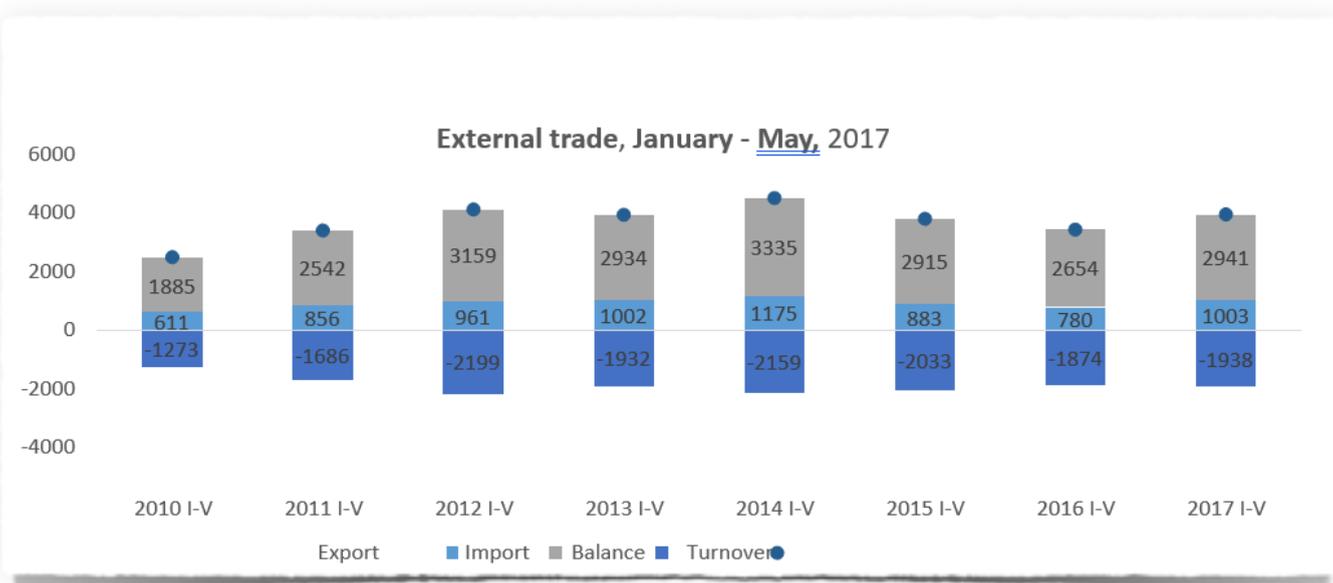
Most of Georgia's trade partners are members of the World Trade Organization (WTO) and, therefore, trade relations with WTO member states (158 countries) are based on the "Best Supporting Regime" (MFN).

## Export results

Decreasing trend of export that started in 2014, from the 3rd quarter of 2015 was mainly driven by price effect and decline of real export has gradually slowed down. Moreover, decline in nominal terms has also slowed down and from September of 2016, export shows growing tendency. Export in real terms has significantly increased from June 2016 and in overall in 2016 real growth amounted to 10.1%. In 2016 Georgia's foreign trade turnover was 11 966 million. USD, which was 20% up compared to previous year.

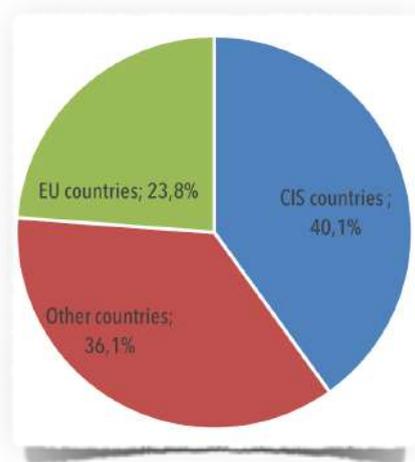
In May, 2017 export has further significantly increased and growth rate amounted to 25%.

Graph 1. Import and export dynamics of Georgia with EU



According to Geostat, national statistics service of Georgia, In January - August 2017 the external trade turnover of Georgia with the EU countries amounted to USD 1804,4 million, grew by 7,4 percent compared to the corresponding indicator of the previous year. Exports amounted to USD 400,9 million (26,6 percent higher), while imports amounted to USD 1403,5 million (2,9 percent higher). The share of these countries in the external trade turnover of Georgia amounted to 27,3 %, 23,8 % in exports and 28,4 % in imports (in January - August 2016: 28,5%, 24,2% and 29.7 % correspondingly). 30,8 % of the trade deficit came to the EU countries (31,9 percent in January -August 2016).

Graph 2. Georgian exports by country groups January - August 2017



The capacity of Georgian products to find a place in a sophisticated market like the European is encouraging for several reasons:

- It shows innovation in agriculture, a significant part of the economy;
- It shows that Georgia can be competitive with high-value added products with, meaning they are profitable for the exporters;
- But most importantly this development is interesting because meeting the legal requirements to sell food in the EU is a major achievement.

Despite achieved success, SMEs are currently facing:

- Most of the enterprises are not certified and do not possess international standards;
- Most of the companies are not yet ready for export:
  - companies do not have an export strategy,
  - analysis of already implemented exports is not studied,
  - the target markets are not well researched and the action plans are not developed based on the marketing and logistics plan,
- Companies cannot provide sufficient quality control;
  - Low labor productivity, lack of information about new technologies;
  - Lack of tailor-made approach in SME support schemes for internationalization;
- Companies do not have relevant experience in participating in international exhibitions or events.

## Moldova

### History and legal background for trade relations

Moldova has signed DCFTA in 2014 and it came fully into force in 2016. Since then Moldova has undergone some political changes that might have influence on the implementation of DCFTA in future.

Originally four policy areas of critical importance to DCFTA implementation were identified by central administration:

- trade in goods,
- trade in services,

- technical Barriers to Trade and Market Surveillance,
- customs legislation and customs procedures.

Important challenges in implementing the DCFTA are:

- to ensure harmonization of laws with EU acquis,
- accountable manner to boost productivity,
- enhance national competitiveness,
- implement public administrative reform,
- introduction of e-governance,
- to improve governance,
- to reduce red-tape,
- to fight corruption,
- develop Trade and Investment Strategy to attract Foreign Direct Investment in Moldova.

Although important steps have been taken there still are shortcomings in the implementation of the AA and the DCFTA. The civil society recalls that the conditions in these documents are incompletely fulfilled. The government is not consistent in fulfilling the international obligations, including in implementation of DCFTA:

- in 2014 the Moldova was considered the „success story“ of the Eastern Partnership;
- in 2015 – due financial and political crisis Moldova started being labelled as „captured state“, attaining a high level of political and economic instability;
- anti-European rhetoric of the new President of Moldova, who has been promoting since his election the idea of denunciation of the EU-Moldova Association Agreement.

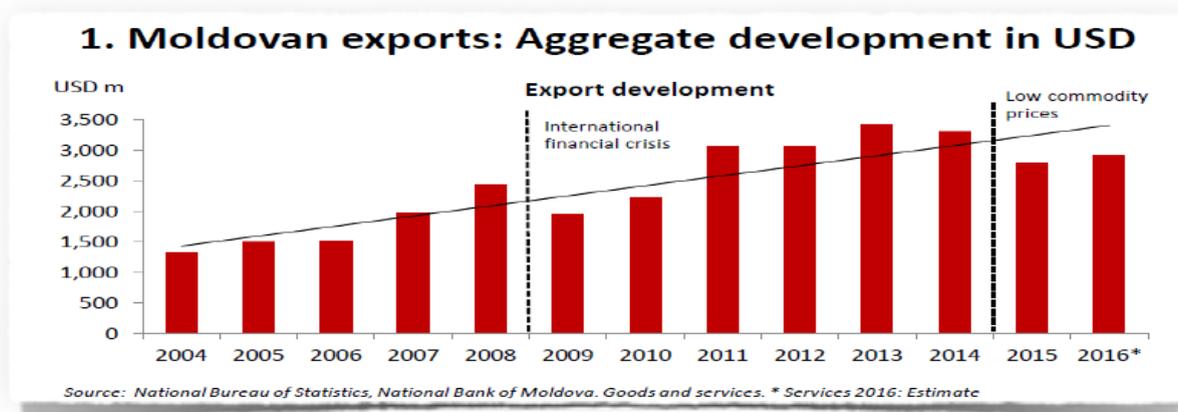
Also, Council conclusions of 15 February 2016 highlighted the main challenges and key reform areas to be tackled in Moldova:

- excessive politicisation of state institutions,
- systemic corruption,
- lack of judiciary independence,
- the financial sector governance and insufficient investigation into the banking fraud.

## Export results

Despite political turmoil in the country, the DCFTA has already been and continues to be beneficial for the Moldovan economy. Potential investors are interested in producing in Moldova. The DCFTA had a positive impact on exports to the EU, even better than expected, including 65% of Moldovan exports going to the EU and an increase in agricultural exports to the EU of more than 30%.

Graph 3. Growth of Moldovan export



Source: GET Moldova

Exports of goods to European Union (EU) countries totalled US \$ 542 million in January - May 2017, up by more than 15 percent over the same period in 2016, accounting for more than 63% of total exports. The main export partners are Romania, Italy, Germany, the United Kingdom of Great Britain and Northern Ireland, Bulgaria, Poland and France.

Concerning the volume of the export quota set in the trade with the products for the trade with goods subject to the preferential quotas, there was a major increase in several groups of products. E.g. the export of cereals to the European countries, especially wheat experienced increase of over 196%, processed cereals experienced increase in export of 321%.

Moldovan exports to the EU will continue growing, thus supporting the economic development of the country. The fiscal-customs policy for 2018 in the Republic of Moldova comes to harmonize the provisions of the national legislation, as well as to transpose the provisions of the EU directives.

Although export to EU countries are increasing there are several challenges to reach full export potential of Moldovan producers:

1. The increase of prices of imported raw materials and intermediate materials for production;
2. Dominant monopolism in export;
3. Limitation of access to new technologies and capital assets;
4. The postponement of the upgrading process related to the domestic energetic infrastructure;
5. Extremely limited financial resources;
6. The transfer of technologies required for the economy, of know-how, including in the management and marketing area, is minimal;
7. Lack of qualified staff;
8. The delay of structural reforms and upgrade of national economy;
9. Corruption.

## Azerbaijan

### History and legal background for trade relations

Currently the legislative basis for the trade relations between Azerbaijan and European Union is established mainly by two documents:

- Partnership and Cooperation Agreement (PCA) and
- European Neighbourhood Policy (ENP) Action Plan.



Please note - DCFTA Agreement is not signed by Azerbaijan yet.

The Partnership and Cooperation Agreement (PCA) was established in 1999 for the regulation of several socio-economic and political issues among which a special place is devoted to trade relations. Articles 9-19 define general rules under which both parties assign Most Favourite Nation (MFN) trade regime to each other, and the trade of goods is carried out within this regulatory framework. This regime considers special concessions on tariff and non-tariff trade barriers.

Although the document deals closely with the customs duties and charges on imported exported goods, the rules for purchase, transportation, and distribution and their use, the creation of a customs union or free trade area is not considered in the document.

In early 2000's, some Eastern European countries, including Azerbaijan, were entitled to the Generalized System of Preferences (GSP) by the European Union. The goal of this trade regime was to give a preferential trade status to some developing countries in order to promote their trade relations with the EU and, thus, contribute to their economic development. The regime envisaged a 66% cut to all EU tariff lines; 6,350 products were included in this list.

Two product categories were defined for trade: "non-sensitive" and "sensitive" products. Non-sensitive products were the product groups which were subject to full tariff reduction and enjoyed duty-free entry to the EU market. Sensitive products – the product groups which are considered of special importance to the EU and must be protected to some extent – are subject to a 3,5-percentage-point tariff reduction compared to MFN rates. The groups of sensitive products mainly include agricultural and processed food products; that is, for Azerbaijan, some part of non-oil exports to European Union were subject to only partial tariff reduction. This tariff cut also differed for some product groups; such that, textile products are subject to only a 20% tariff reduction in comparison with MFN tariff rates.

As of 9 December 2008, Azerbaijan was included in the group of countries entitled to the GSP+ trade regime. The GSP+ regime is the enlarged version of GSP, where both the number of products and the tariff reductions are enhanced. In this case, duty-free access was

applied to both non-sensitive and sensitive products, with the condition that, tariffs paid for sensitive products are composed of both ad-valorem tariffs and specific duties and the total amount paid is equal to the specific duty.

By the decision of February 2013, Azerbaijan was no longer considered to be eligible for GSP+ status according to the graduation conditions from the trade regime, which stated that the country's income level is higher than the level defined for the countries eligible for preferential trade partner status. As of 22 February 2014, the country was deferred from preferential trade partner status and returned to MFN trade regime.

The ENP Action Plan, was concluded in 2006. This agreement considers the further enhancement of trade and economic relations between Azerbaijan and the European Union through trade facilitation and full implementation of PCA. Security of imports and exports and customs control, as well as reforms on the harmonization and standardization of food safety and sanitary and phytosanitary regulations, are considered to be effective tools for convergence towards EU food safety and rules.

Capacity building and staff training on international trade relations for those working towards accession to the World Trade Organization (WTO) is seen as an important task to be carried out on a bilateral basis. Most importantly, the document mentions the possible establishment of a free trade area between the parties upon Azerbaijan's accession to the WTO.

The document states the following: "The EU and Azerbaijan to jointly explore possible options for further enhancing bilateral trade relations, once Azerbaijan has joined the World Trade Organization, including the possible establishment of a free trade agreement between the EU and Azerbaijan. In this context, the Commission will undertake a feasibility study which will also look at regional trade and economic integration aspects". (EU / Azerbaijan Action Plan, 20069 ).

Another framework for enhancing economic and trade relations between Azerbaijan and the EU is discussed within the Eastern Partnership (EaP) initiative. Six eastern countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine are closely engaged in a new level of trade and travel facilitation.

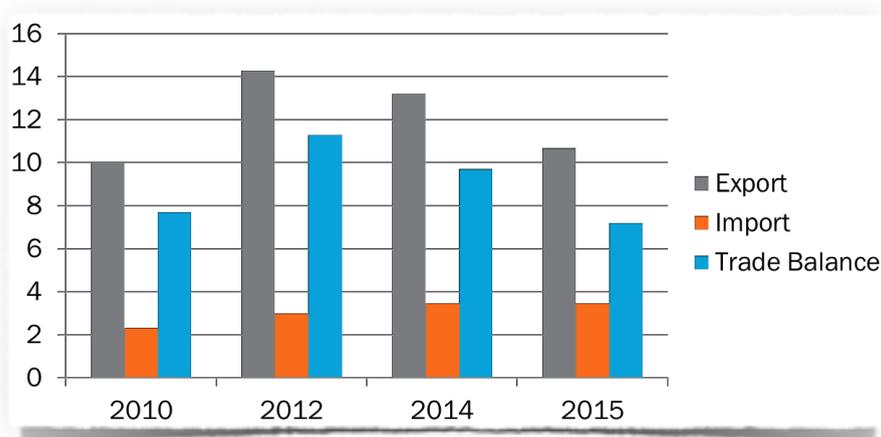
EU proposes the enhancement of relations in three dimensions:

- a) Association Agreements (AA)
- b) Deep and Comprehensive Free Trade Area (DCFTA)
- c) Visa Facilitation and Readmission requirements.

These measures not only consider the regulation of trade, non-trade relations and travel issues, but also envisage the standardization and harmonization of economic and political legislation in the implementation of related projects. Moreover, the prospective engagement in a free trade area with the EU is one of the opportunities introduced for EaP countries to achieve greater international integration and sustainable socio-economic development

## Export results

Graph 4. Import and export dynamics of Azerbaijan with EU



Source: Source: CESD Research Paper: Feasibility Study on the Deep and Comprehensive Free Trade Area (DCFTA) between Azerbaijan and EU.

## Part 3. Best practice examples and failures of exporting to EU: case study Latvia

Latvia signed first trade agreement with EU in 1992, followed by more comprehensive Free trade agreement in 1994 and European Agreement (or Agreement on creating an Association between Latvia and EU) in 1995. It was in force till Latvia become full member of EU in 2004. In 2013 Latvia also joined eurozone and introduced euro.

Thus, Latvia has more than two decades of experience working with EU, trying to export its products and services to other EU countries. These two decades show many successful examples of Latvian companies conquering EU market, but it also has many failures, cases when Latvian businesses have met strong opposition from the side of EU competitors.



Strategies for SME's to succeed when exporting to EU:

- Become a supplier of parts, subcontractor to big companies. They will help you to enter the market;
- Produce under names of EU partners, companies;
- Sell your company to EU investor;
- Buy a company in EU;
- Find a sector with low competition:
  - there is no interest for big companies;
  - too complicated for others.
- Produce and export niche products, services - small volumes, complicated, high value added.

Although it must be noted, that written programmes, plans undeniably increases accountability of the government as it provides better tools to business organisations for following the implementation of these plans.

### They succeeded

#### Valmiera Glass Group



"Valmieras stikla šķiedras rūpnīca" was a company successfully working since soviet times. After collapse of Soviet Union production volumes and the number of employees dropped, enormous losses were incurred due to high inflation rates.

The government of the Republic of Latvia decided to sell the „Valmieras stikla šķiedra” factory by attracting foreign capital. In 1996 the company became a part of the German glass fibre company Glasseiden GmbH Oschatz. As a result of the investment, production development accelerated, while the expertise of the German partner helped to adjust production to the market and find a stable niche within it. In 2002 Vitrolan Textilglas GmbH became a second shareholder and partner of the company.

New products and markets and exceptional products allowed company to grow and in 2013 JSC „Valmieras stikla šķiedra” bought the company in UK that was producing products that currently were not on the list of the Latvian company. Through the uniting of JSC "Valmieras stikla šķiedra" and company in UK, Valmiera Glass Group has been created, positioning itself as a vertically integrated supplier of different composite materials for the aviation industry, architecture and other branches – from glass fibre production to impregnated / reinforced fabrics.

Source: <https://www.valmiera-glass.com/en/group-1/history-1>



## BIOSAN



Biosan is a biotech company producing laboratory equipment that competes with the world leaders. The company's offer is amazingly rich, starting from shakers, vortexes, PCR-boxes, to end with the line of instruments for DNA/RNA analyses. Their key to success has been capability to produce innovative niche products and flexibility to produce high quality laboratory products under the names of other brands.

Innovation, design and focus on the individual consumer proved to be in demand in the world biotechnological market and during recent years. Personal Laboratory products produced by BIOSAN have become well-known all over the world under different leading brands (e.g. Biometra, Bioneer, Boeco, Fisher Scientific, Grant-bio, Life Technologies etc.). However they market under their own brand also.

In 2015. BIOSAN was announced as one of the best exporters of the country with their products reaching 80 countries.

Source: <http://biosan.lv>



## How EU internal market forces might fight back:

- Involvement of trade unions to strongarm providers with cheaper workforce.
- Fake news destroying credibility of newcomers in market.
- Tangling newcomers in legal actions even knowing they are wrong. The time and money it takes to prove you are right sometimes is too much for small company.
- Governments might ask for additional certificates that were not explicitly known before or ask for some very specific skills or knowledge like knowledge of local language for experts.
- Dumping prices. Large companies sometimes can allow themselves to keep a very low price on some product while it might ruin a smaller newcomer to the market.
- Buy out. Sometimes it is easier to a larger competitor to buy a small newcomer and close it to avoid competition in future.

## They felt the rage of EU market forces

### Swedish Trade Unions against Latvian builders or Vaxholm-Laval case



In 2004 Latvian building company «Laval & Partneri» Ltd won a construction contract in Sweden to renovate a school in Vaxholm town. They won with cheaper price which was achieved by using workers from Latvia. Latvian workers were paid average and higher salaries than paid in Latvia but far less than salaries in Sweden.

Swedish Building Workers' Union requested Latvian company to sign its collective agreement, that would require much higher payment to workers than planned originally and provide more favourable conditions than required by EU Law.

Laval & Partneri refused to sign the collective agreement. Swedish Building workers Unions together with Electricians Union called a strike to blockade building sites. As a result company could not continue providing services in Sweden.

Laval & Partneri brought a case before the Swedish Court claiming that this blockade infringed their right to free movement of services. The case was referred to European Court of Justice. In 2007 European Court of Justice adopted the decision that blockade was unjustified and against EU rules.

Laval & Partneri were right and they would be able to continue providing services in Sweden if only they would have survived the long wait. Company was forced to file for bankruptcy and is no longer operating.



Photo: <http://www.nordiclbourjournal.org>

## Danish professor against Latvian sweets producer



In 2011 Latvia's sweets producers have spread their wings and are looking for new export markets. They are actively participating in fair trades, exhibitions promoting their products.

This is moment when a Danish professor Steen Stender during a conference claimed that "Selga" wafers produced by NP Foods, Ltd brand "Staburadze", have 44% content of trans-fat acids, which is severely higher than the allowed limit. Few days later it turned out that the incorrect number was named by someone in his laboratory in Denmark; actually, the trans fats in wafers make only 9% in the total content of fats. Latter it even checked out that the correct number is only 4%. The amount that is acceptable in EU countries (except Denmark where the limit actually is 2%)

Professor corrected the mistake in media; however, the harm was done. Trust in the product was lost and producer suffered extensive loss.

In response to criticism NP foods, started to produce waffles that does not contain any trans-fat acids and for a limited time they had a cartoon of the Danish professor on them.



Photo: LETA

## Latvia is not producing sugar anymore



In 2007 following massive EU level restructuring of sugar production, sugar producers were offered three choices – close production and receive compensation, keep production and try to survive competition, restructure and start producing e.g. bioethanol.

Owners of Liepaja and Jelgava sugar companies decided to take compensation. Compensations were paid also to sugar beets farmers to allow their restructuring. In total about 30 mio EUR were paid in compensations.

Since then Latvia does not produce sugar although old sugar brands still exist and you still can buy "Jelgavas cukurs". Only it is produced in Denmark.



## Part 4. Planning for export: SWOT analysis of example products

It is true - DCFTA provides opportunities to businesses to enter EU market. However, it depends on businesses themselves how successful they will be in exporting their goods and services. By signing DCFTA government has provided framework. It is up to business to use it smart and gain benefits.

One of the keys to succeed is to meticulously plan export strategy.



Simple questions of strategic planning:

- What do I have? (Situation analysis)
- What do I want? (Setting aims)
- What do I do? (Planning actions)
- Have I achieved what I wanted? (Evaluation)

Planning starts with gathering comprehensive picture on the situation that you are in. Asking questions like: Which country to enter would be more beneficial, plausible, comparing to other potential countries; What kind of market restrictions, requirements, certifications, and taxes do you have to consider in the target market and our country; Who are your competitors? What are they doing? - and hundred other questions that can help focus export strategy.

One of the key questions during this phase is - Who are your potential clients and how to reach them? Can you picture them very specifically: gender, age, interests, income, communication and purchase habits? Do they use Facebook or Twitter? Do they watch TV or read newspapers? Do they know about your product, service? What do they think about you, your product? All of this will help latter to define channels reaching your client to introduce your product or service.



*Your client could also be a company, government, NGO, but still - it is a person who takes decision to buy your product or service.*

This is the moment to perform SWOT analysis of your product, service- analyse **Strengths**, **Weaknesses**, **Opportunities** and **Threats** that your product or service will face in the export market.

Setting clear strategic aims is a next step in defining effective export strategy. It is not enough to set financial goals like "to increase export value by 10%". Goal like this will not help in defining how to sell your product or service. Strategic aims are a step into action.

Do you agree - these two aims for a wine exporter ask for different strategies and actions to be fulfilled?



- "To become niche supplier of exclusive, gourmet wine to restaurants in Latvia in five years" = exclusive niche player in short term
- "To become market leader in Baltic states in low cost wine market segment in ten years" = low cost market leader in mid term

Strategic plan is the phase where you define what exactly are you going to do to reach your client, what channels are you going to use to reach him or her (information channel) or to sell your product (distribution channel - e.g. online or in shops), define product appeal (thus defining why exactly your client should buy your product or service), deciding on advertising, social media communication, media relations or public affairs support. At this stage, you also try to balance available and necessary financial inputs to implement a strong export strategy.



*In defining specific marketing or public relations solutions you might need to involve local consultants in target markets as in this day and age of fragmented information, it is so easy to decide wrong for example with placement of advertisements.*

Evaluation surely depends on the aims you did set up. You can either see the financial results of your strategy or perhaps increased reputation or recognition of your product, company.

Here are some examples of potential products from Georgia, Azerbaijan and Moldova and various outlines for their export strategies.

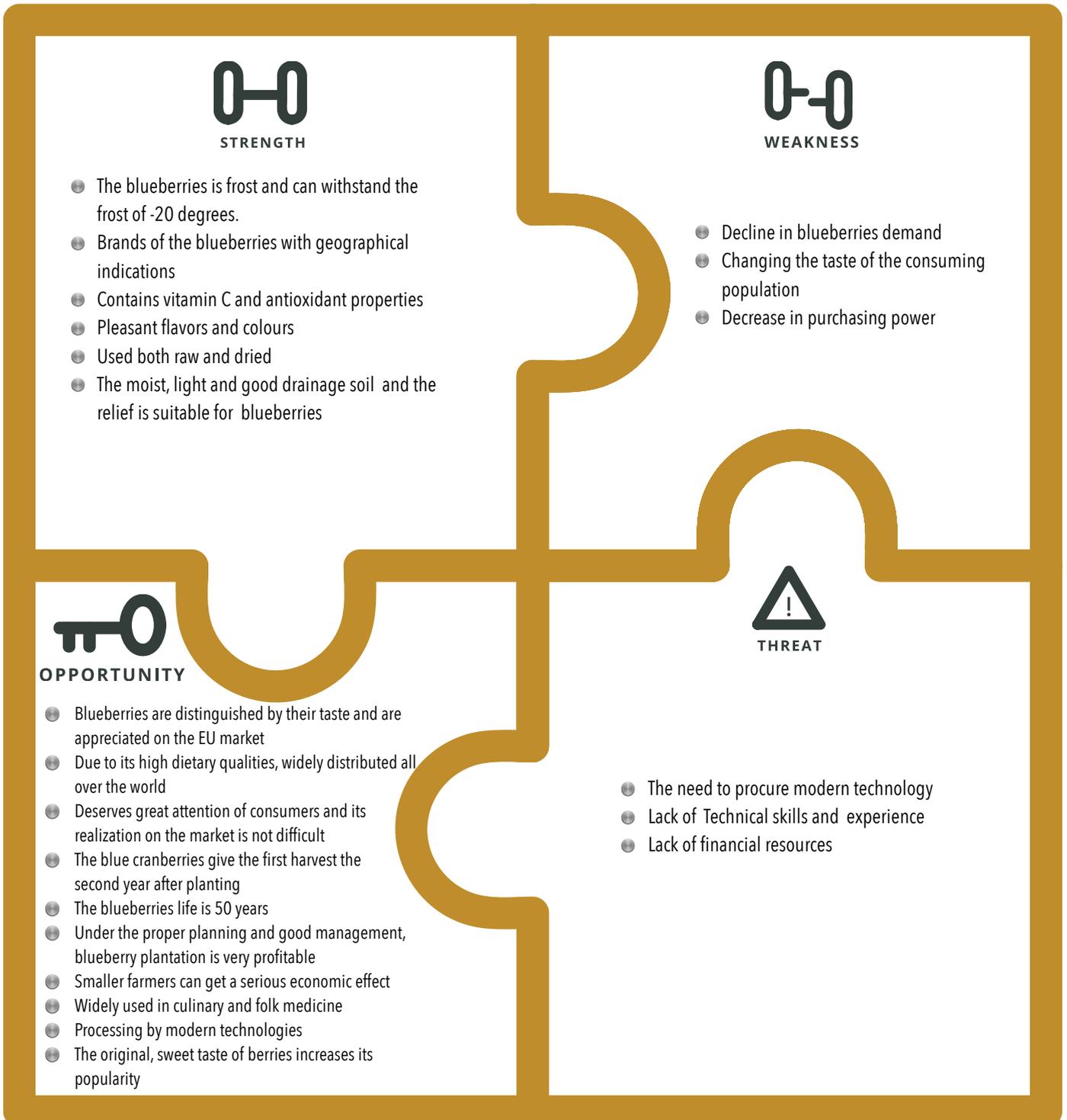
### Example 1 (Georgia)

**Name of the product: Fruits - Blue cranberries**

Characteristics of the product: Guria and Adjara highlands, is in high demand on the global market because of its unique properties. The blue shoemaker is a bushy, berry crop that has a round ring of blue colour. This year, 12 tons of blueberries grown in Georgia were delivered for sale on the British market for the first time.

Target market: Poland, Netherlands, United Kingdom

Clients: Population with average income from 23 to 70 years



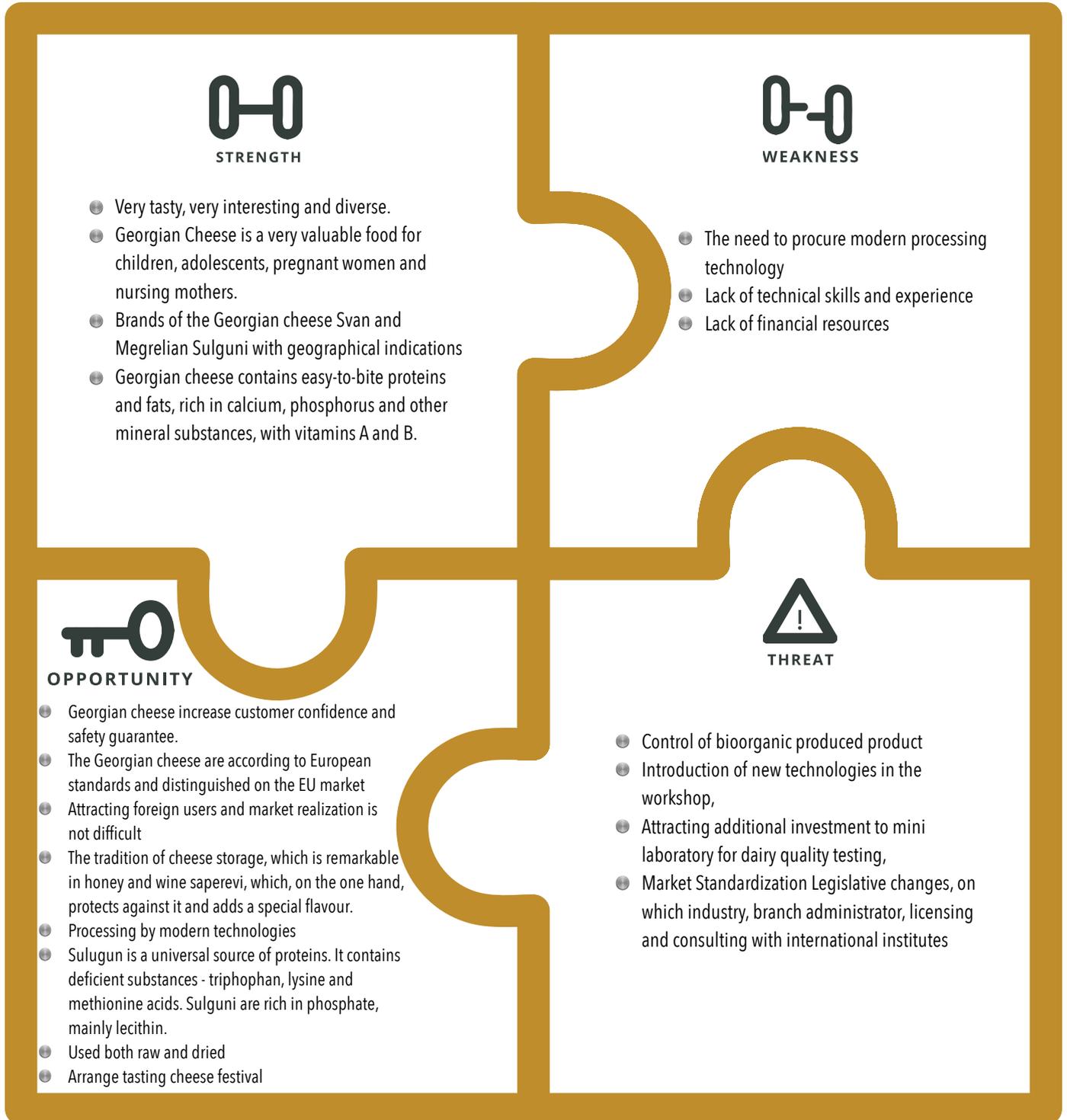
## Example 2 (Georgia)

### Name of the product: Georgian Cheese

Characteristics of the product: Cheese production in Georgia has been a few hundred years since historical artefacts. Cheese varieties in Georgia are more than 30 species: suluguni, Imeretian cheese, Mtskhetachecheli, tanili, green cheese, Georgian cheese, blue cheese, Megrelian cheese, Guda and ctr.

Target market: Italy, France

Clients: All lovers Georgian cheese of all ages of the population



## Example 3 (Georgia)

### Name of the product: Wine in clay pitchers

Characteristics of the product: Georgia has an 8,000-year history of continuous wine making tradition. Today, around 45 grape varieties are commercially produced: Kindzmarauli, Khvanchkara, Rkatsiteli, kakhuri Mtsvane, Saperavi and many others. Wine in clay pitchers has better flavour, is naturally cooling and refreshing.

Target market: Latvia, Estonia, Kazakhstan, Ukraine, Poland, France, Germany

Clients: Population with average income from 21 to 72. According to World Health Organization alcohol consumption per capita is 7,7 liters per year and wine share is - 49.8%.

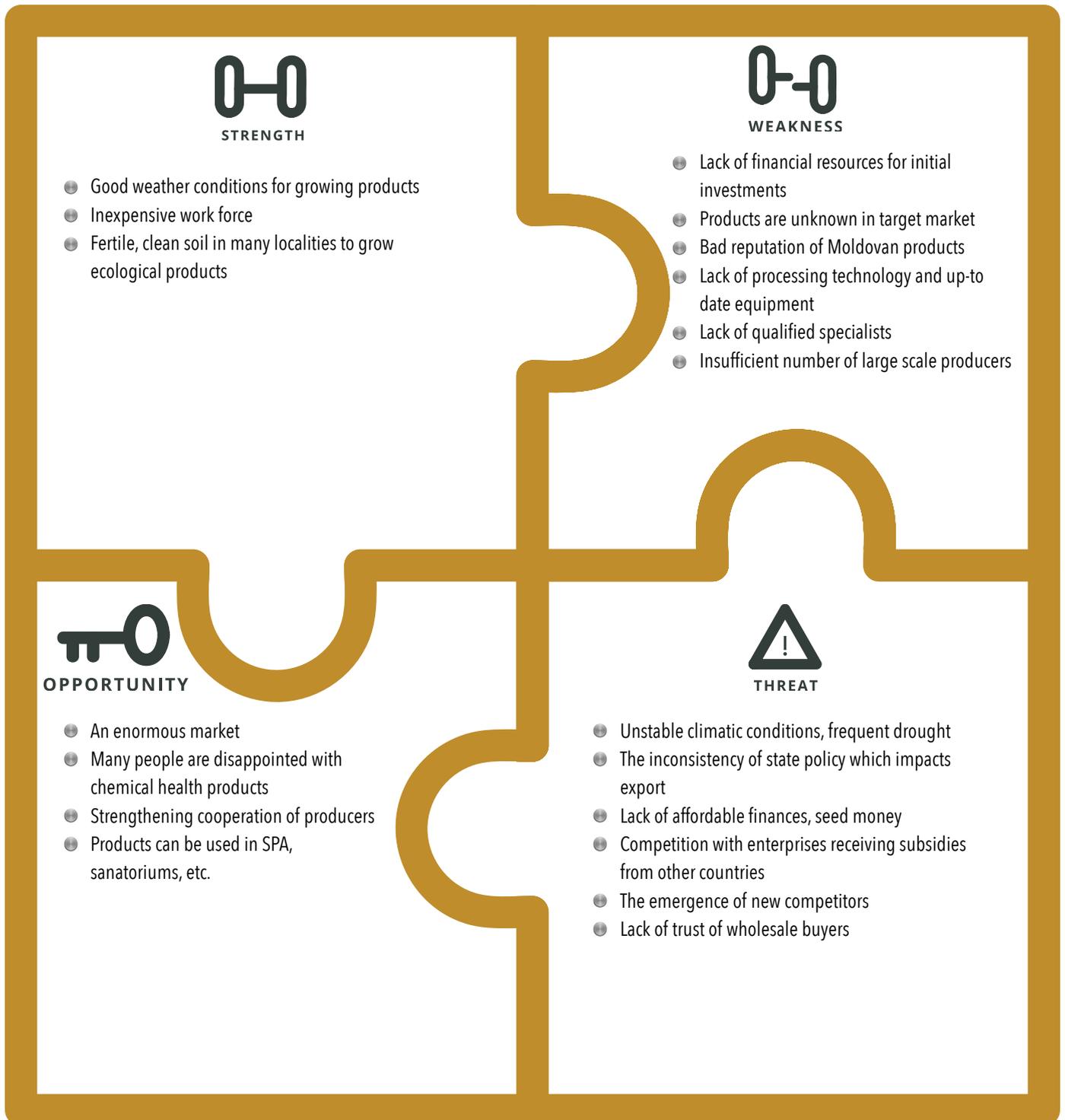


## Example 4 (Moldova)

### Name of the product: Essential oils and herbal teas for weight loss

Target market: Germany

Clients: People with excessive weight esp. Women at age 40 -50 and older people with health problems at age 60 – onwards

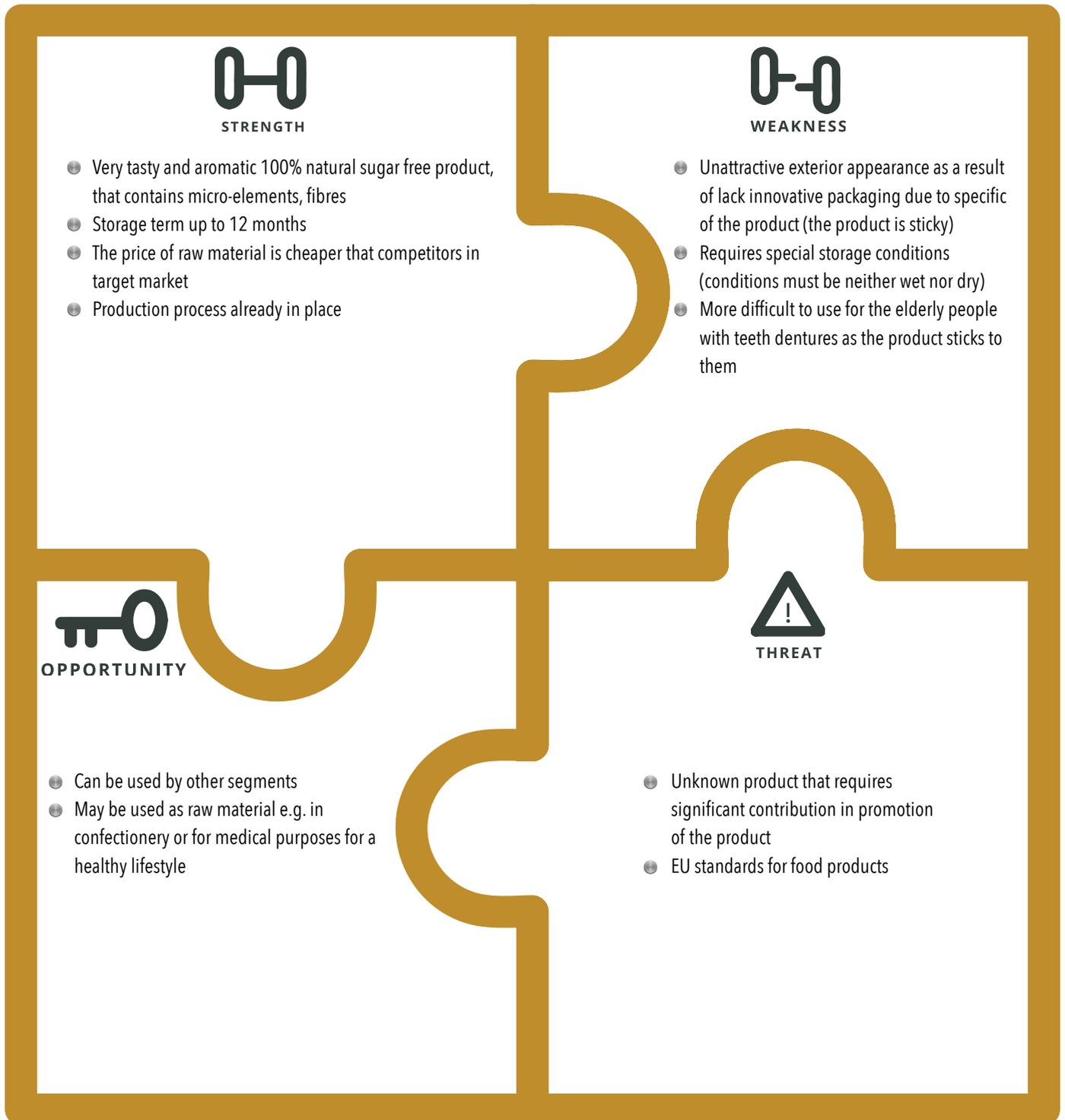


## Example 5 (Moldova)

### Name of the product: Fruit and berries pastilles

Target market: Sweden, Norway, Denmark and the United Kingdom.

Clients: Children aged 3-12 years

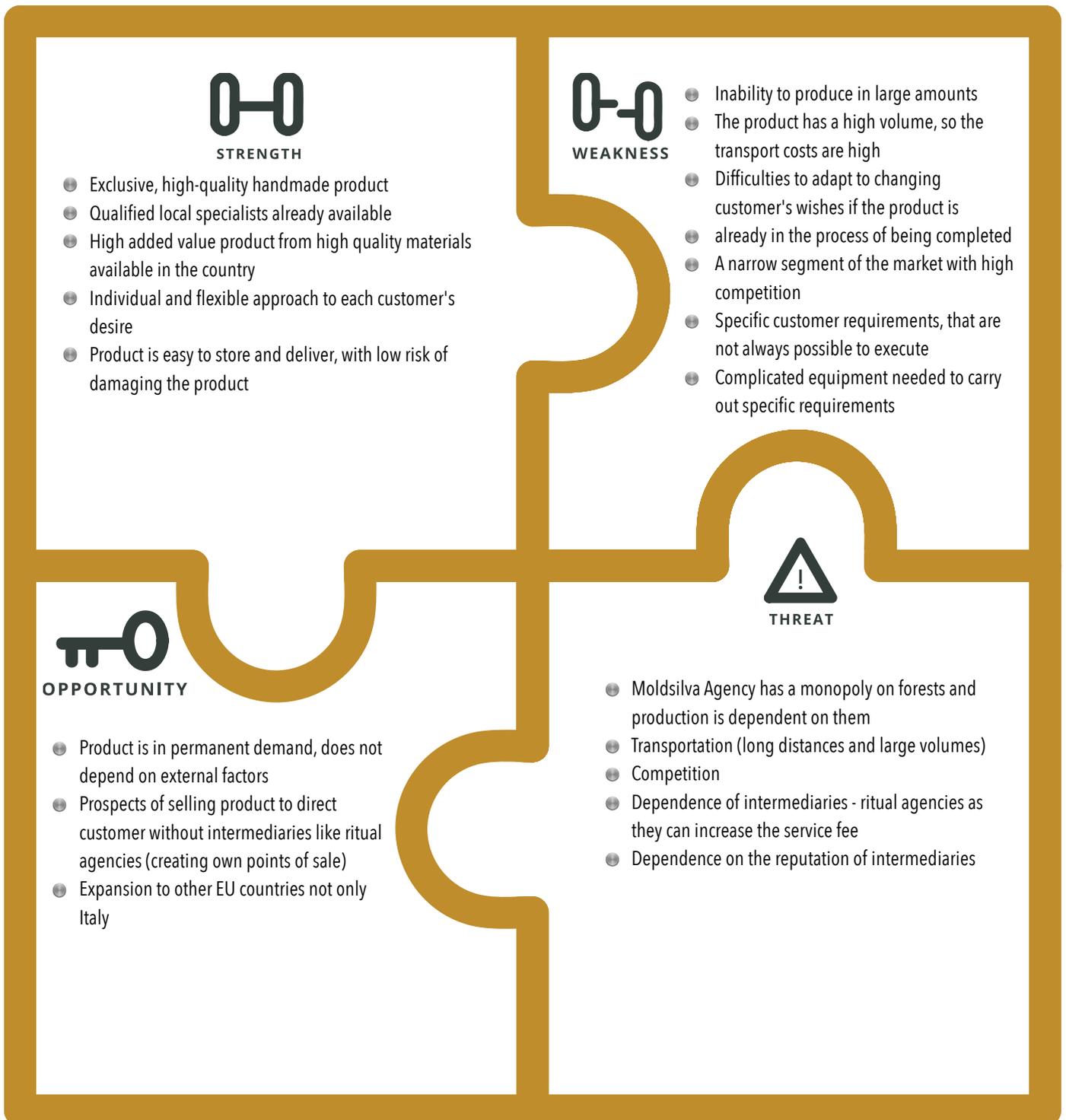


## Example 6 (Moldova)

### Name of the product: Exclusive premium class handmade coffins

Target market: Italy

Clients: The most prestigious ritual agencies

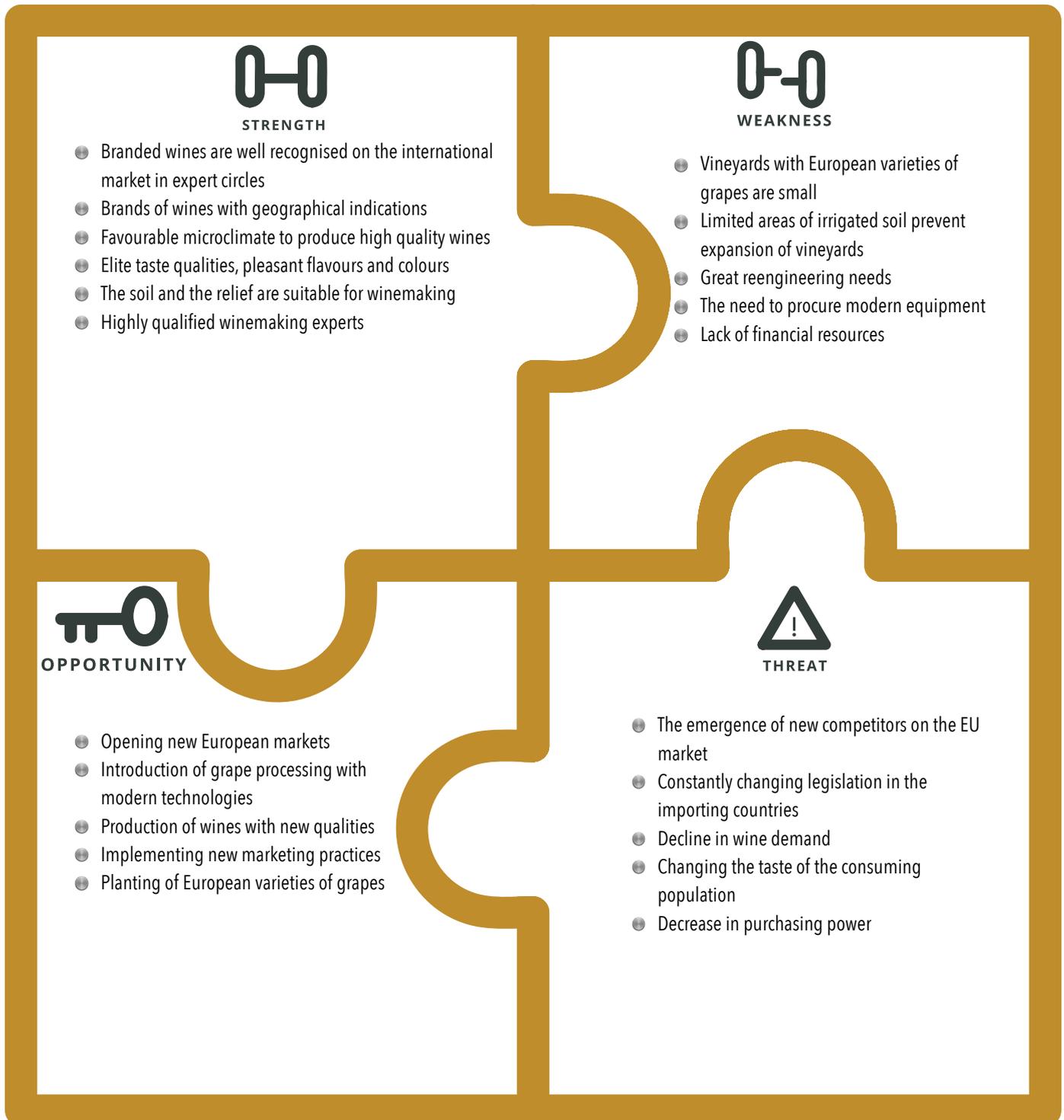


## Example 7 (Moldova)

### Name of the product: Wine

Target market: Romania, Poland, Slovakia, Czech Republic , Austria, Germany

Clients: Population with average income from 23 to 70 years old

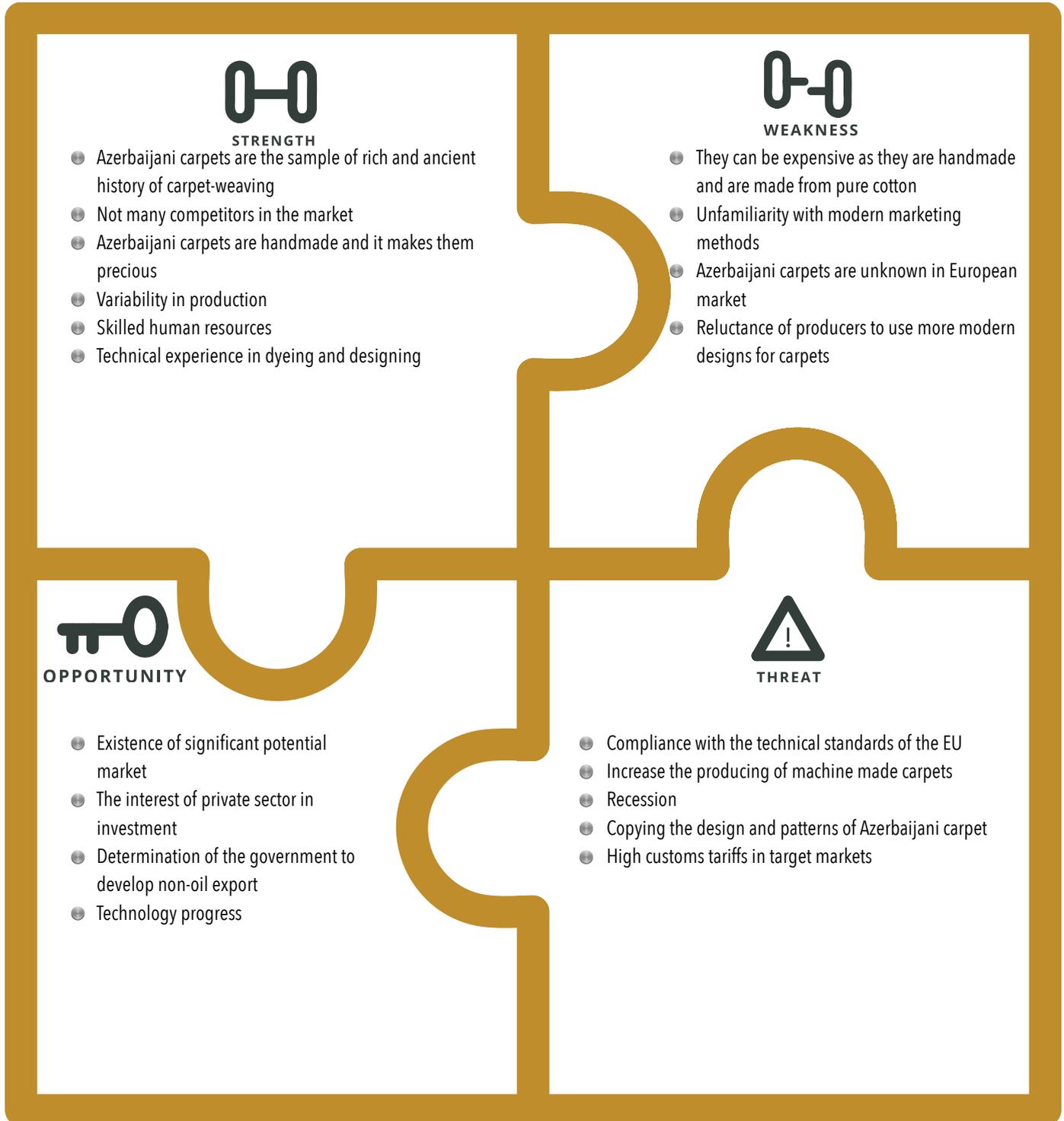


## Example 8 (Azerbaijan)

### Name of the product: Carpets

Target market: Western Europe

Clients: European Carpet & Rug Association and their clients

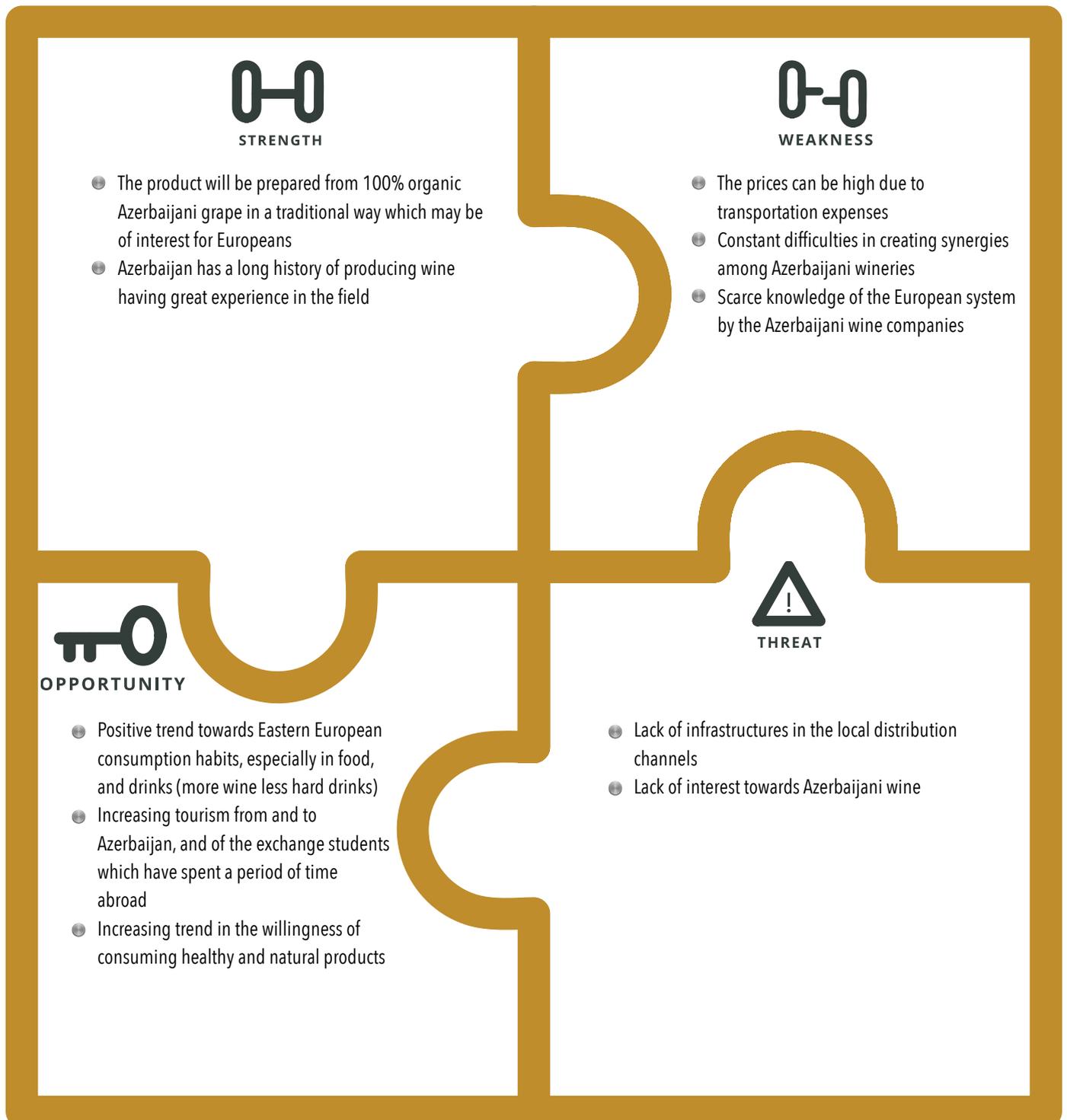


## Example 9 (Azerbaijan)

### Name of the product: Wine

Target market: Baltic countries, Poland, Czech Republic e.tc.

Clients: People with age of 20-50 irrespective of gender

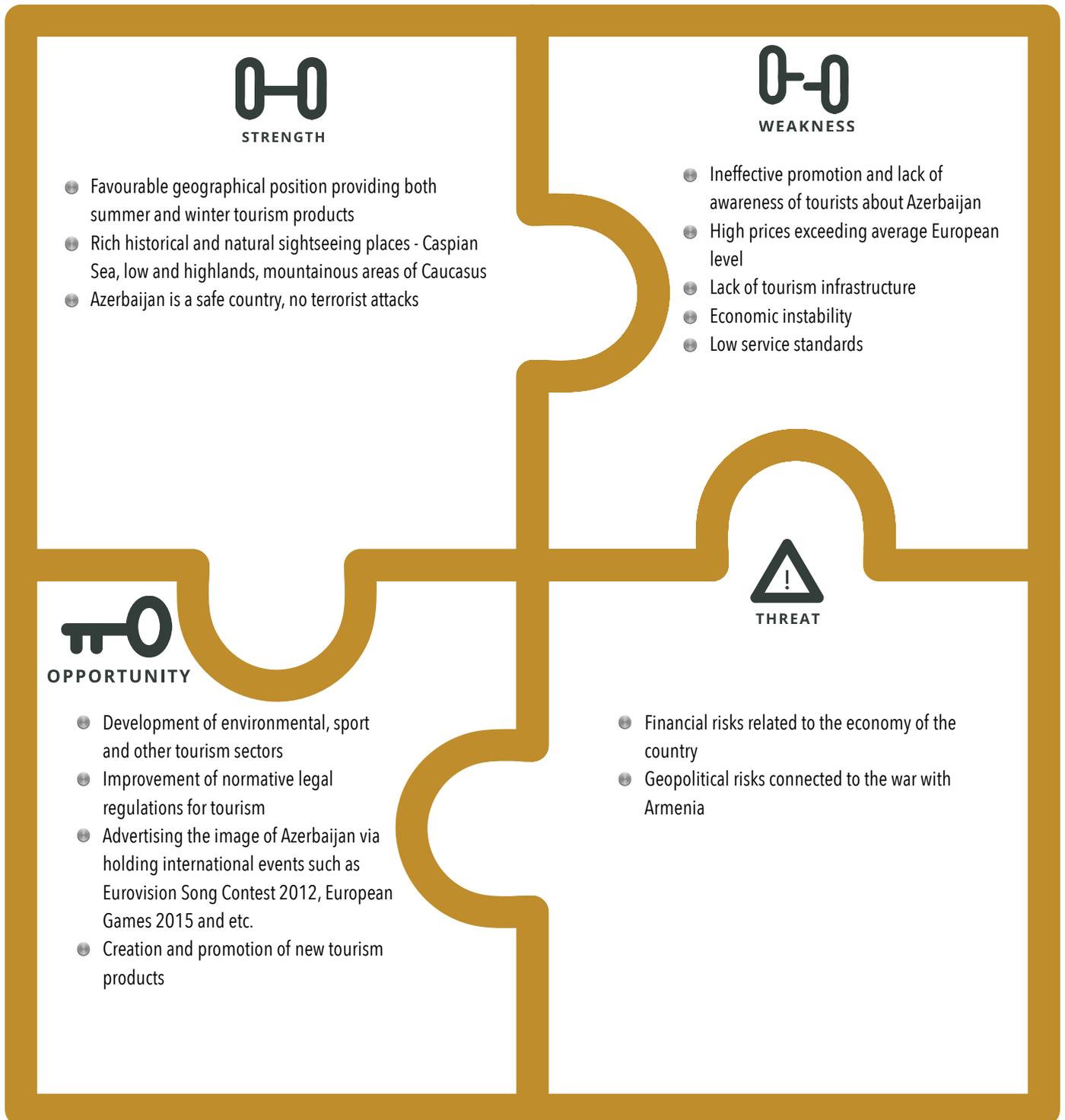


## Example 10 (Azerbaijan)

### Name of the product: Summer and winter tourism in Azerbaijan

Target market: European countries, Persian Gulf countries

Clients: Families, primarily targeting parents age 25 -55



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## Part 5. Recommendations for export support to SME helping them fully benefit from DCFTA

### Georgia

#### Reminders for exporting SMEs:

- It is crucial to establish a strong multi-stakeholder partnership with BSOs and SMEs in public-private dialogue (PPD) and constructive communication among key stakeholders for DCFTA and SME policy implementation via helping them in developing the needed skills;
- Identify the most efficient approaches towards cooperation with international financial institutions to promote innovative business development;
- Develop communication strategy with potential partners / buyers and share available online resources;
- Implement the practice of conducting internal audit in the enterprises to correctly determine the company's marketing / export strategy / market entry strategy (e.g. from processing the product to its packaging, quality assurance);
- It is possible to implement the so-called "Export Ready Test"; Which will be intended for the "beginner" exporters at the first stage;
- It is important to develop professional skills of the employees and provide further training, support the national lifelong entrepreneurial learning strategy, building on established progress in promoting the quality of education and entrepreneurial culture on introduction the effectiveness using DCFTA.

#### Recommendations for the government:

- Develop a systematic approach to tracking small business skills for a more efficient and responsive training market;
- Provide access to markets and internationalization;
- Provide support to development of individual entrepreneurs and cooperatives;
- Storage and processing infrastructure development / modernization;
- Systematically apply regulatory impact analysis to assess the positive or negative impact of regulatory changes on the SME sector;
- Adopt a more strategic approach to the development of SMEs by identifying strategic directions and objectives for future development taking into consideration specific SME needs in important sectors of the economy, such as agribusiness, light manufacturing and tourism.

### Moldova

#### SMEs of Moldova hope that:

- the European path of Moldova will stay determined;
- the government actions will be EU-oriented also in future for this, serious and irreversible European, international resonance steps will be taken;
- the European intentions of the Republic of Moldova are not only declarative but seriously taken into consideration.

#### Reminders for exporting SMEs:

- Export activity can be started when the buyer is known and the contract of intent or even the purchase contract is signed;
- It is necessary to know who, what kind of cargo, how much and under what conditions of transportation and time must be done. Example: as a rule, the basic documents requested by the EU customs bodies are:
  - Commercial Invoice,
  - Customs Value Declaration,
  - Freight Documents,
  - Freight Insurance,
  - Packing List,
  - Single Administrative Document -SAD;
- It is necessary to know what is the list of accompanying documents for the product sold and the conditions of payment;

- To register as an exporter, it is necessary to present to the customs office the set of 14 necessary documents;
- It is highly recommendable to consult the MIEPO guidelines, using platform information "Export Help Desk" to consult with specialists in the field. Lack of competence can lead to bankruptcy;
- Good management of quality product and safety will facilitate obtaining of the accompanying certificates;
- It is good to know the notions of INCOTERMS (International Commercial Terms) and other terms applied in export;
- It is strictly necessary to observe the customs clearance rules, the procedure of placement of goods and means of transport under customs regime and the conclusion of this regime under the conditions stipulated in the Customs Code;
- An important step is knowing the transaction costs. A successful marketing will be in the case of an income that covers all the expenses with the appropriate profit.
- It is important to know the competitors in target market.
- Timely calculation of all spending and revenue is the way forward. This can only be achieved through good information and competence in the field.

## Azerbaijan

### Recommendations for the government to consider for a closer co-operation with EU:

- Developing communication and relations with the EU and signing trade agreements, initially beginning with DCFTA;
- Establishing the SME policy implementation agency;
- Reform of the legal framework for both bank and non-bank sources of finance to address the obstacles in SME access to finance;
- Establishment of a Development Bank for the consolidation of all existing funds and support to entrepreneurs on a centralised basis;
- Increasing SME competitiveness by improving the monitoring and assessment of the existing initiatives on innovation, capacity building and export promotion;
- Empower business support organisations (BSOs) to be able to represent effectively SMEs in the policy dialogue with the public sector;
- Encouraging SMEs involvement in anti-corruption mechanisms;
- Develop the offer for vocational training for SMEs.

### Recommendations for SMEs:

- Use support of BSOs which have experience of working with European companies. They can help you avoiding making same mistakes and they can introduce you to potential clients;
  - Take part in International Trade Fairs. They create unique opportunity to meet potential clients and show your products. Remember – you can always co-operate with other SMEs and have common stand to reduce costs;
  - Manufacture your products according to the technical rules of EU. Without them you will not be able to export your product no matter how good your product is.
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