



EU-Georgia Deep and Comprehensive Free-Trade Area

Reading guide

The European Union (EU) and Georgia are about to forge a closer political and economic relationship by signing an Association Agreement (AA). This includes the goal of creating a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Georgia.

When the accord comes into force - expected to be in the near future - it will create a new framework for our political and economic relationship.

The deal will also benefit Georgian businesspeople and citizens directly. It will create new opportunities for trade and economic growth. It will help make governance and policy-making in Georgia more open and inclusive, by aligning it with EU standards and practice. And it will help generate new jobs, lower prices and provide better standards of consumer protection.

On the following pages, you'll find a summary of what's been agreed in the DCFTA, the commercial opportunities it offers, and the reforms that will bring Georgia closer to the EU.

Read the entire [Association Agreement](#).



Check the [Export Helpdesk](#) for advice if you wish to export to the European Union.

[Feedback on this guide](#) is welcome and appreciated.

Chapter 1 Market access for goods

Chapter 1 is aimed at removing customs duties on imports and exports of goods in line with the World Trade Organisation (WTO) GATT Agreement. All customs duties on goods, with minor exceptions, will be removed as soon as the AA enters into force. Ultimately, Georgia and the EU will eliminate duties on 100 % and 99.9 % (in trade value), respectively, of their imports from the other party.

For industrial goods, the DCFTA involves the immediate removal of import duties on both sides.

Trade in agricultural products will be also fully and immediately liberalised, but with the exception of trade in garlic imports, for which a duty-free tariff-rate quota is established. The EU will also monitor import volumes of some agricultural products.

Export duties will be prohibited from the entry into force of the AA.

As regards 'non-tariff barriers' (NTBs), which relate not to customs duties but (mostly) to how goods are treated after being imported, the Agreement incorporates basic WTO rules such as:

- 'national treatment' (the requirement to treat foreign goods on the market in the same way as domestically produced goods);
- a prohibition of unjustified barriers to trade on sanitary or phytosanitary grounds or with regard to technical requirements for industrial goods; and
- disciplines on state trading enterprises, etc.

The joint Association Committee in Trade configuration will oversee the implementation of this chapter.

FOCUS ON THE ELIMINATION OF CUSTOMS DUTIES

The DCFTA will open up trade by immediately removing all duties on imports. As a result, EU importers will save € 10.8 million annually and their Georgian counterparts will save around € 84.2 million on imports from the EU.

Agriculture

Georgian agricultural products will become more attractive on the EU market thanks to the removal of EU import duties worth € 5.7 million on basic agricultural products and € 0.5 million on processed agricultural products. New market opportunities in the EU and higher production standards in Georgia will spur investment, stimulate the modernisation of agriculture and improve labour conditions.

Industrial

Both sides will fully liberalise trade in industrial products.

Chapter 2 Trade remedies

This chapter covers traditional trade defence instruments provided for in WTO legislation (anti-dumping, anti-subsidy and safeguard measures). The key guiding principle is to reaffirm the need to respect legal rights and obligations, while setting out disciplines to ensure that the instruments are used only where necessary and that all parties are treated fairly. Such provisions are already standard in EU legislation.

For example, any duties imposed must be lower than the full extent of dumping support or subsidy, provided that this is sufficient to eliminate the injury. Also, before imposing measures, parties may conduct a 'public interest test' to gauge the various interests at stake and examine the possible impact of duties on operators.

Provisions aimed at improving the transparency of the investigation process include additional requirements as to notification, the disclosure of findings and opportunities for consultation.

Chapter 3 Technical barriers to trade

This chapter aims to reduce 'technical barriers to trade' (TBT), i.e. technical regulations, standards, conformity assessment procedures and similar requirements applying to industrial goods.

The parties reiterate their commitments under the WTO Agreement on TBT and agree to cooperate on TBT issues to avoid unnecessary divergence of technical requirements. The parties are reinforcing their regulatory cooperation.

Georgia will gradually align its technical regulations, standards and related infrastructure with the EU's. In the future, the parties may negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products under which trade between the parties in selected sectors would take place under the same conditions as that between EU Member States.

Labelling provisions seek to avoid undue restrictions on trade and unjustified requirements on imported products by keeping to a minimum the information required on labels.

Chapter 4 Sanitary and phytosanitary (SPS) measures

This chapter aims to facilitate trade in animals and plants, and products of animal and plant origin, while ensuring that the parties' level of protection is maintained. The parties will seek a common understanding on animal welfare standards that reflects EU norms and World Organisation for Animal Health (OIE) developments. Georgia will bring its SPS legislation in line with the EU's (which is based on internationally recognised sanitary and phytosanitary standards) and in the selected sectors of

interest to Georgia's economy. Following appropriate expert assessment and approval, Georgia's animal and plant health arrangements (law, administrative capacity and implementation) will be considered equivalent to those of the EU. Such equivalence of standards will in turn allow Georgian authorities to be solely responsible for authorising exports of agricultural products to the EU. In other words, Georgian products currently not admitted for SPS reasons (i.e. products of animal origin, including dairy products, etc.) will be allowed to enter the EU and be marketed on a par with EU's domestic products.

The process leading to recognition of equivalence of SPS standards is based on the principles of the WTO SPS Agreement and covers:

- an undertaking from Georgia to bring its SPS and animal welfare legislation in line with the EU's and to maintain the institutional/administrative capacity to implement it;
- a rapid consultation mechanism to address trade irritants in SPS-related goods; and
- a rapid alert and early warning system for veterinary and phytosanitary emergencies; under certain conditions, Georgia could participate in the relevant EU early warning systems.

The EU and Georgia will set up a special SPS Sub-Committee to implement this chapter and oversee reforms. The Sub-Committee will monitor progress on the approximation of legislation and implementing capacity, give recommendations, develop procedures and provide a forum for addressing SPS issues. It will also deal with verification procedures, the listing of establishments, levels of checks and resolving trade problems.

Chapter 5 Customs and trade facilitation

This chapter seeks to enhance cooperation in customs and customs-related matters and simplify customs requirements and formalities while at the same time preventing customs fraud, e.g. through incorrect declarations of product origin.

Building on current customs cooperation, it fosters closer alignment of legislation and procedures through the use of modern, internationally endorsed customs and trade facilitation practices and procedures, and developing a stronger legal framework.

The protocol on mutual administrative assistance in customs matters is aimed at ensuring the correct application of customs legislation and the fight against infringements. The EU and Georgia have agreed to supply each other with all relevant information needed to conduct investigations and to allow for each other's officials to participate in administrative enquiries in the other party's territory.

This chapter and protocol are particularly important given the very advantageous (duty-free) trade relationship, in which customs authorities play a key role in ensuring that only Georgian or EU goods, as the case may be, benefit from DCFTA provisions. In

the event of insufficient cooperation between customs authorities, the preferences may be temporarily withdrawn as a safeguard on grounds of suspected customs fraud.

A special Customs Sub-Committee will monitor the implementation and administration of this chapter.

Chapter 6 Establishment, trade in services and electronic commerce

This chapter aims to create more opportunities for EU and Georgian businesses in the services trade and to integrate Georgia as much as possible into the EU services market. It provides for significant commitments for cross-border service providers. In addition, unlike in other FTAs, the provisions on establishment apply to the service and non-service sectors alike, opening the parties' markets to wide-ranging investment opportunities based on national treatment. These commitments are subject to some limited restrictions (in the form of a 'negative list' of sectors excluded from liberalisation, thus guaranteeing automatic coverage for new services).

The chapter also provides for freedom of movement for business purposes for certain categories of natural persons (key personnel, graduate trainees, contractual service suppliers and independent professionals) subject to a number of limitations and specific requirements in line with Georgian or EU Member States' legislation.

In addition to the market access commitments, provisions on domestic regulation, postal and courier services, international maritime transport, financial services and electronic commerce services are designed to improve transparency and legal certainty for service providers and investors in Georgia. The focus is on 'behind the border' obstacles to trade in services, i.e. those affecting the provision of services and establishment, which usually relate to the domestic policy framework and business regulation (as opposed to trade in goods).

The DCFTA services provisions include a commitment from Georgia to align its legislation on financial, electronic commerce, postal and courier, and international maritime services with current and future EU legislation. This may trigger further access to the EU services market for Georgian service providers. It will also mean that EU investors in those sectors will find the same regulatory environment in Georgia as in the EU.

Chapter 7 Current payments and movement of capital

The provisions on free movement of capital represent standard safeguards, including the possibility of taking measures to ensure the stability of the financial system.

Chapter 8 Public procurement

This chapter provides for clear and transparent minimum rules (based on EU practice) on tendering procedures for awarding public works, service and supply contracts. The rules

apply from national to regional and local level to contracts above a certain threshold value. Over the coming years, Georgia will adopt current and future EU public procurement legislation so that Georgian and EU suppliers and service providers have equal access to each other's procurement markets. Once the process of aligning the legislation is completed, the parties may consider granting each other access to public tenders below the threshold value. The public procurement rules are closely connected with basic rules on fair competition, on which the EU and the Georgia have made commitments in a separate chapter.

Chapter 9 Intellectual property rights

This chapter includes provisions on particular intellectual property rights (IPRs), such as copyright, designs, patents, trademarks and geographical indications (GIs), which complement obligations the EU's and Georgian under the WTO TRIPS Agreement. The chapter has a strong section on IPR enforcement based on the EU's internal rules, including a requirement to ensure that no counterfeit products, or products which otherwise infringe IPRs, enter or exit the EU or Georgia.

All agricultural GIs (not only those for wines and spirits) will have the same high level of protection in the EU and Georgia. The DCFTA incorporates the EU-Georgia Agreement on Geographical Indications, which has been in force since 1 April 2012 and involves regular consultations to update the list of protected GIs.

Chapter 10 Competition

Here, the parties prohibit and commit to address certain practices and transactions that could distort free competition and trade, e.g. cartels, abuse of a dominant position and anti-competitive mergers, which will be subject to effective enforcement action.

The parties agree to maintain effective anti-trust and merger laws and an effectively functioning competition authority, and to uphold procedural fairness and firms' rights of defence. Competition law will apply to state-controlled enterprises provided this does not impede them in performing the particular tasks of public interest assigned to them. The parties commit to ensure that companies on both sides will have fair and equal access to each other's markets, unhampered by discrimination resulting from monopolistic practices. The chapter sets out the main principles for consultation and cooperation between the EU and Georgia.

The EU and Georgia also agree to be transparent on subsidies for goods and services. They will report every two years on the total amount, types and sectoral distribution of subsidies on goods and, on request, provide each other with further information on subsidies on services.

Chapter 11 Trade-related energy

This chapter covers electricity, crude oil and natural gas (in gaseous state or as LNG) and its provisions are subject to the dispute settlement procedure.

The three pillars of the chapter concern commitments on:

- pricing: the parties will let market prices prevail on the domestic gas and electricity markets and not regulate prices for industry. They will not impose prices for energy exports that are higher than those on the domestic market (prohibition of dual pricing);
- the transport and transit of energy: the chapter reiterates obligations under GATT and the Energy Charter Treaty. Interrupting transit or taking from transit energy goods destined for the other party are prohibited. An expedited ('fast-track') dispute settlement procedure will allow for a quick response if these rules are breached. An early warning mechanism provides for diplomatic consultations in the event of a security-of-supply problem; and
- the setting-up of a legally distinct and functionally independent regulator to ensure competition and the efficient functioning of the gas and electricity markets.

Chapter 12 Transparency

This chapter contains basic transparency provisions applying to bilateral trade relations and trade-related policy making in the EU and Georgia. It aims to ensure that all stakeholders (governmental decision-makers, businesses and exporters, investors, civil society organisations and civil society at large) have access to information on the implementation of the EU-Georgia free-trade area and are consulted or otherwise involved in the decisions taken.

In particular, the chapter provides for:

- commitments allowing interested parties to comment on proposed legislation and transparent information on acts relating to the implementation of trade policy;
- the establishing of enquiry/contact points to respond to questions on the application of regulations; and
- due-process requirements regarding administrative proceedings in trade-related matters, including the review or appeal of administrative actions (e.g. decisions by customs authorities) in areas covered by the DCFTA.

Chapter 13 Trade and sustainable development

This chapter is key to ensuring that the liberalisation of trade takes full account of social and environmental impact and the parties' commitments in those areas. It also provides

for broad civil society involvement (trade unions, employers' organisations, NGOs, environmental interest groups and business representatives, etc.) in its implementation, to ensure that trade policy takes account of a balance of interests.

Key elements of the chapter include:

- a shared commitment to effectively implement International Labour Organisation (ILO) conventions, as ratified by the parties, and the ILO Decent Work Agenda;
- a commitment to implement all multilateral environment agreements to which the EU and Georgia are party and to promote sustainable forestry and fisheries management;
- confirmation of the parties' right to regulate, while aiming at a high level of environmental and labour protection, and a commitment to refrain from waiving or derogating from domestic laws in these areas to encourage trade or investment; and
- strong monitoring mechanisms, including regular government-to-government meetings and enhanced public scrutiny through civil society involvement. Each side will have a civil society trade and sustainable development advisory group comprising independent economic, social and environmental stakeholder organisations. The groups will meet annually in a joint, open civil society dialogue forum to discuss the implementation of the sustainable development aspects of the DCFTA.

Chapter 14 Dispute settlement

The dispute settlement mechanism provided for in the DCFTA is based on the WTO Dispute Settlement Understanding, but involves a faster procedure, the first step of which is consultation between the parties with a view to reaching a solution. If they fail to do so, the dispute is referred to an arbitration panel of three experts chosen by the parties or selected by lot from a list agreed in advance.

The panel will receive submissions from the parties and hold a public hearing. Interested persons or companies will be allowed to make *amicus curiae* submissions informing the panel of their views.

The panel will deliver a binding ruling within 120 days of being set up. The party found to be in breach of the DCFTA will have to ensure compliance within a reasonable period of time (to be agreed between the parties or decided by an arbitrator).

If, at the end of the period, the other party considers that the breach persists, it can refer the issue back to the panel and if the panel agrees it is entitled to impose proportionate sanctions.

The DCFTA also contains a mediation mechanism to address issues hampering trade in goods. The aim of the mechanism is not to review the legality of a measure, but rather to find quick and effective solutions to market access problems.

Chapter 15 General provisions on approximation

These provisions lay down general rules on Georgia's aligning of its legislation with EU law in specific trade-related areas. Mutual obligations ensure clarity about the process and ensuing commitments, and the exchange of information and consultation necessary for the process to run smoothly.

Protocol I Definition of 'originating products' and methods of administrative cooperation

Rules of origin define the 'economic nationality' of products, so that the duties applicable to them in the course of trade (import/export) can be determined. In the DCFTA, the rules are based on preferential trade criteria, i.e. assigning particularly advantageous treatment to goods coming from the partner in question. Implementation rests with the parties' customs authorities, who are in charge of making sure that only products originating in the EU or Georgia, as the case may be, benefit from the preferential treatment.

Protocol II Mutual administrative assistance in customs matters

This protocol sets out a legal framework for cooperation between the parties' authorities in tackling customs irregularities and fraud.