FIFTH EU-GEORGIA ASSOCIATION COMMITTEE IN TRADE CONFIGURATION

17-18 DECEMBER 2018, BRUSSELS

JOINT REPORT

1. The fifth meeting of the EU-Georgia Association Committee in Trade Configuration (ACTC) was co-chaired by the Commission and the Georgian Ministry of Economy and Sustainable Development. Overall, it was a constructive ACTC with the Georgian side very keen to host Commissioner Malmström in March.

2. The meeting was an occasion to discuss in detail the implementation of the different chapters of the Deep and Comprehensive Free Trade Agreement (DCFTA) and notably the legislative approximation to be undertaken by Georgia. The EU assistance programs provided to the Georgian side with a view to facilitating the implementation of reforms in different DCFTA related policy areas were also reviewed.

3. An update of Annex III-A of the Agreement on Technical Barriers to Trade and Annex XVI of the Agreement on Public Procurement of the Agreement to reflect the evolution of EU acquis were ready for adoption following internal procedures on both sides. However, a number of technical discrepancies were found between the two final language versions, and the Joint Decisions will thus be adopted by written procedure subsequent to modifications of the Georgian version.

4. Regarding bilateral trade figures, following a decrease in total bilateral trade in 2016, an increase of 6% till 2017 was noted. During the first nine months of 2018 (compared with same period in 2017) an increase of 5% was noted which is a positive signal, especially for Georgian exports to the EU where the increase was +26.7% from 2016 to 2017. However during the first nine months of 2018 (compared to the same period in 2017), EU imports from Georgia saw minor decrease (-0.37%) mainly due to a decrease of imports in vegetable products (-32%). EU exports to Georgia increased only slightly (+0.6%) from 2016 to 2017, but has seen a revived increase during the first nine months of 2018 by 7%.

5. A discussion of identifying export potential for Georgia followed, in accordance with one of the take aways from the Georgian Government’s visit to the College on 21 November 2018. European Commission stated that EU competence in the matter is restricted to facilitate setting the institutional framework allowing for easing market opening in particular by identifying gaps in Georgian legislation/regulation compared to EU regulatory frameworks. Trade relations with EU operators will have to be established with the help of the Georgian trade promotion organisations and by Georgian businesses. Technical assistance (TA) has already been provided
following a cluster approach in order to identify certain export potential areas and further TA
will be considered, as appropriate.

6. **On Competition**, the European Commission recognised the efforts already made to align the
system to the principles and rules applied by the EU and that Georgia is willing to go beyond
the competition provisions provided in the DCFTA and step up its enforcement efforts. To
create an effective competition culture in Georgia, European Commission highlighted the
importance of relevant enforcement mechanisms for all agencies responsible for the
implementation of competition law.

7. **On Customs and Trade Facilitation**, important achievements in 2018 are Decision 1/2018 of
the EU-Georgia Customs Sub-Committee replacing Protocol I to the Agreement, with Georgia’s
accession to the Pan-Euro-Mediterranean (PEM) Convention on preferential rules of origin,
allowing for diagonal cumulation; and the harmonisation with EU 608/2013 on intellectual
property rights, where Georgia presented statistics on seizure of counterfeit goods at the
meeting. Georgia has shared a draft new Customs Code on working level that will be presented
to parliament shortly. Even if there are some technical differences, European Commission
appreciates the very good progress of Georgia in approximating its customs law to the Union
Customs Code. An update of Annex XIII, as agreed between both parties and transposed in the
new customs code, will be formalised in early 2019.

8. **On Trade-Related Energy** Provisions, in accordance with the operational conclusions of the
energy sub-committee of October 2018, European Commission noted that while progress had
been picking up in the second half of 2018 (in line with Energy Community commitments),
there are still some work to be done. Georgia highlighted that according to the Protocol
Concerning the Accession of Georgia to the Treaty Establishing the Energy Community (dated
as of October 14, 2016) there still remains subsequent period of one year for testing and
adjusting the relevant implementing provisions and Georgia will use this period for adoption of
relevant primary legislation and testing in parallel.

9. **On Intellectual Property Rights (IPR)**, Georgia presented its activities in the area, including
new legislation, advocacy and awareness raising/training activities. European Commission
welcomed the efforts made by Georgia to reform the intellectual property protection and
enforcement system over the last year in order to bring Georgian IP laws in line with the
Agreement. As one of the deliverables of the meeting between the Government of Georgia and
the College on 21 November 2018, European Commission has allocated resources to a
cooperation programme between the Georgian Intellectual Property Centre (Sakpatenti) and the
European Intellectual Property Office, aiming at e.g. aligning the Georgian laws and standar
dconcerning registration and management of IP rights with the EU norms and standards.

10. **On protection of Geographical Indications (GI)**, European Commission reported from the GI
sub-committee of March 2018. European Commission informed of the fruitful cooperation with
Georgia and Member States authorities to ensure GI protection in the EU and reported on the
actions taken to address the alleged infringements raised by Georgia. As regards the rechecking
of possible conflictual trademarks against 15 Georgian GIs carried out by the EUIPO and the
MS IPO in May-June 2018, Georgia expressed concerns about possible new cases similar to the
ones that appeared in Estonia in 2017 and asked for the European Commission support if they
occurred. European Commission asked Georgia about the latest developments concerning an
alleged infringement case regarding Feta Protected Designation of Origin (PDO) in Georgia that was communicated by the Greek authorities in November 2018. Georgia would enquire and send information after the meeting.

11. On **Technical Barriers to Trade**, no specific trade concerns were reported. The current focus of Georgia is the implementation of an effective and efficient market surveillance system. With that regard, Georgia highlighted the importance of relevant quality infrastructure especially the need of relevant local laboratory capacity that is a challenge faced when introducing new technical regulations. Approximation of legislation was reported to be in line facilitated by Twinning and other technical assistance projects. The EU side highlighted that at EU level risk assessment methodology and cooperation processes are not regulated and there are guidance documents on these issues. Therefore, the EU side underlined that attention should be paid to this matter by the Georgian authorities.

12. **Establishment, Trade in Services and Electronic Commerce:** with regard to **telecommunications** European Commission called for more systematic reporting of approximation in this area by Georgia. Draft Georgian law on eCommerce and draft amendments in Georgian law on “electronic communications” have been prepared. On Georgia’s **postal** reform, European Commission welcomed the efforts to establish a new draft postal law, and noted that market opening and the development of competition in the postal sector for letters and parcels is a key element of postal reform in the EU, as required by the three on Postal Services Directives. It likewise reported that it is important that the new postal law in Georgia does not create new barriers to competition in the postal sector. The Georgian draft law is due to be finalised during the first quarter of 2019. With regard to **financial services**, Georgia highlighted that in order not to overlap and more effectively coordinate and communicate the activities in that direction it is more advisable to continue discussion of this issue in the relevant subcommittee on "Economic dialogue, Management of public finances and financial control; Statistics; financial services; Accounting and Auditing; Anti-fraud and control provisions". Although, Georgia provided an update on Georgia’s approximation of the European banking legislation. A draft law on supplementary supervision of financial conglomerates has been developed in line with EU directive and will be submitted to Parliament during spring session. The relevant provisions of the Directive on winding up of credit institutions have been taken up in Georgian law and a draft law on resolution and recovery will be submitted to Parliament in May 2019. Banks established in Georgia are required to produce annual accounts and consolidated accounts in accordance with International Financial Reporting Standards (IFRS) and therefore the Banking Directive on annual accounts and consolidated accounts will not be of application.

13. On **Sanitary and Phytosanitary (SPS)** matters, following the SPS sub-committee meeting in October 2018, Georgia indicated it is fulfilling the approximation timetable, while at the same time looking for new ‘success stories’ of products to be authorised for export to the EU. Likewise following the sub-committee, Georgia flagged that certain EU acts related to the internal market were not relevant for approximation, and should thus be removed from the SPS strategy adopted in 2017 in accordance with Annex XIB of the Association Agreement. Furthermore, Georgia wishes to fast-track the approximation of legislation related to aquaculture for which it would like to get export authorisations to the EU soon.
14. On **Public Procurement (PP)**, European Commission thanked the Georgian authorities for their efforts taken under the first phase of approximation and reported on the previous discussions held on the setting up an independent and impartial review body. The agreement found needs now to be formalised into legislation. Georgia has adopted a Roadmap, which needs to be amended to include more details on PPP/concessions. This is necessary before the Committee can give its positive opinion on the Roadmap. Georgia will consult European Commission on the new draft law on Public Procurement as well as the draft legislation on setting up Independent Review Body.

15. In the area of **Trade and Sustainable Development (TSD)**, European Commission highlighted the importance of the sustainability provisions and the close scrutiny by the European Parliament and Civil Society in the EU of the effective implementation of the TSD and in particular of the labour/social provisions. European Commission welcomed the agreement reached in June on the Work Plan for TSD implementation for 2018-2020.

16. With regard to **transparency**, good cooperation was noted between the two Parties’ contact points. Georgia highlighted the successful use of the [www.dcfta.gov.ge](http://www.dcfta.gov.ge) information webpage, the Public-Private Dialogues and the DCFTA Advisory Group.