

DCFTA implementation in Georgia

German Economic Team Georgia

in cooperation with



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Introduction

EU-Georgia free trade agreement (“DCFTA”)

- September 2014: Provisional application
- July 2016: Entry in force
- Commitments for both sides, but significant differences

EU commitments

- Reduction of import tariffs; no commitments regarding regulation

Georgian commitments

- Tariffs and regulation (TBT, food safety, customs, procurement, etc.)
- Thus: Much vaster commitments

Topic of this presentation

- Assessment of progress by Georgia in the implementation of the DCFTA in aspects related to trade in goods (ca. 50% of DCFTA)
- Not covered here: trade remedies, trade in services, energy-related trade, establishment of companies, dispute settlement, etc.

1. National treatment and market access

Aim: To establish duty-free trade between the EU and Georgia taking into account some minor sensitivities

Status quo

- Zero import duties immediately after the launch of provisional application
- Minor exceptions from the full liberalisation applied by the EU having limited practical implications:
 - One tariff rate quota (“TRQ”) – on garlic
 - Entry price system for selected agricultural products (22 products)
- Anti-circumvention mechanism in place to prevent re-exports
- Sept 2016: Georgia was admitted to the Pan-Euro-Mediterranean Convention on Rules of Origin (Pan-Euro-Med). Most important for trade with Turkey and EFTA

Tasks ahead

- Amendment of bilateral FTAs with members of the Pan-Euro-Med to be able to use diagonal cumulation in the rules of origin
 - ⇒ **On schedule**

2. Technical barriers to trade (“TBT”)

Aim: Equal treatment, i.e. to radically reduce NTBs for industrial products by establishing a system of safety control that is dynamically identical to the EU

Status quo

- No strict deadlines for approximating horizontal measures. Still, general product safety requirements and liability for defective products are already approximated – in line with commitments
- By 2014: 6 out of 21 sectoral technical regulations are closely aligned – in line with commitments
- 7,000 standards (98% of total) are international and EU standards
- Institutional setup – in progress

Tasks ahead

- Further harmonisation of technical regulations and adoption of EU standards
- Capacity development of institutional bodies and development of physical infrastructure

⇒ **On schedule**

3. Food safety

Aim: Equal treatment, i.e. to radically reduce NTBs for food products by establishing a system of food safety control that is dynamically equivalent to the EU

Status quo

- Very limited individual access to the EU market for companies exporting animal-origin products – only two products allowed (wool and honey)
- List of EU SPS Legislation to be approximated was submitted – on schedule
- The National Food Agency (NFA) intensifies the control over food producers
- However, low efficiency of safety control system; a higher number of foodborne diseases has been recorded

Tasks ahead

- Progress in getting individual access (next product – fish)
- Harmonisation with EU legislation – 272 EU directives and regulations to be harmonised till 2026, strong cooperation/coordination efforts required
- Capacity development of institutional bodies and development of physical infrastructure, in particular a network of laboratories

⇒ **On schedule, but a large number of tasks lies ahead**

4. Customs services

***Aim:** To reduce trade costs by creating stable, transparent, non-discriminatory, efficient and proportional custom laws and procedures aligned with EU norms*

Status quo

- Georgia is ranked 54 out of 190 in “Trading across Borders” / WB Doing Business 2017 and 118 out of 160 in “Customs” / Logistics Performance Index 2016
- New customs legislation drafted envisaging introduction of an authorized economic operator (AEO), changes in customs valuation methods etc. – in line with commitments
- Accession to Common Transit Convention and on the Simplification of Formalities in Trade in Goods - in progress and on schedule

Tasks ahead

- Adoption of drafted legislation aligning to the EU Customs Code
- Strengthening the risk based customs control system
- Establishment of the advance customs data exchange programs with the EU
- Training of customs staff

⇒ On schedule, focus on further simplification of customs procedures

5. Public procurement

Aim: To stimulate trade by providing mutual access to public procurement markets

Status quo

- Significant achievements before DCFTA:
 - E-procurement since 2010
 - Law on State Procurement (2005) was amended several times to increase transparency and equal treatment
- Indicative time schedule for approximation is 3 to 8 years
- In March 2016, the Roadmap and Action Plan for the implementation of the public procurement chapter was adopted – in line with commitments

Tasks ahead

- Approximation of legislation concerning, e.g., tender documents system, procedures related to time limits, notices and concessions
- Capacity development of stakeholder including government officials engaged in public procurement and potential suppliers

⇒ **On schedule**

6. Intellectual property rights

Aim: To stimulate innovations by modernising the system of intellectual property rights (IPRs) and strengthening their protection

Status quo

- Georgia is ranked 99 out of 138 countries in “Intellectual Rights Protection”/ WEF Global Competitiveness Report 2016-2017
- Protection of geographical indications is priority
- Legislation is largely in line with EU norms, but further approximation needed
- National Intellectual Property Center of Georgia (“Sakpatenti”) is the consolidated IPR authority responsible for industrial property, copyright and related rights, new varieties of plants and breeds of animals
- However: Insufficient law enforcement resulting in piracy and counterfeiting

Tasks ahead

- Further approximation of legislation regarding trademarks, duration of the IPR protection, etc.
- Training of judges on IPR related issues to strengthen law enforcement

⇒ **In line with commitments, but stronger focus on implementation needed**

7. Competition policy

Aim: To boost economic efficiency by reducing monopolisation through effective and transparent competition policy

Status quo

- Georgia is ranked 114 out of 138 in “Effectiveness of anti-monopoly policy”/WEF Global Competitiveness Report 2016-2017
- Georgia took limited commitments in competition policy, no requirement to approximate with the EU’s competition rules and systems
- 2014: Amendments to Law on Competition concerning antitrust, state aid and institutional provisions – broadly in line with EU legislation
- New Competition Agency was established in April 2014 as independent authority with investigative and decision making powers – in line with commitments

Tasks ahead

- Capacity building of Competition Agency and training of judges
- Improvement of coordination among the key regulatory agencies
- Further legal amendments, e.g. regarding the definition of the dominant position

⇒ In line with commitments, need to focus on law enforcement

Summary

Topic	Current status	Measures	Main tasks ahead
Market Access	On schedule	<ul style="list-style-type: none"> Duty-free access Joined Pan-Euro-Med (2016) 	<ul style="list-style-type: none"> Amendments to current FTAs to use Pan-Euro-Med
TBT	On schedule	<ul style="list-style-type: none"> Progress in horizontal approximation 6 out of 21 technical regulations aligned 	<ul style="list-style-type: none"> Legal approximation Capacity development
Food safety	On schedule	<ul style="list-style-type: none"> Submitted list for SPS harmonisation Food safety control intensified <u>But</u>: low effectiveness of the system 	<ul style="list-style-type: none"> Legislative approximation Capacity development Getting individual access
Customs service	On schedule	<ul style="list-style-type: none"> New customs legislation drafted Accession to Common Transit Convention in progress 	<ul style="list-style-type: none"> Adoption of new customs legislation Capacity development
Public procurement	On schedule	<ul style="list-style-type: none"> Roadmap and Action Plan for the implementation of the public procurement chapter adopted 	<ul style="list-style-type: none"> Legal approximation Capacity development
IPRs protection	In line with commitments	<ul style="list-style-type: none"> Consolidation of IPR related powers But: low IPR protection in practice 	<ul style="list-style-type: none"> Legal approximation Capacity development
Competition policy	In line with commitments	<ul style="list-style-type: none"> Amended Competition Law Independent competition authority established 	<ul style="list-style-type: none"> Better coordination among stakeholders Improved law enforcement

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Annex. References to the Association Agreement

Topic	Title	Chapter	Annexes / Protocols
Market Access	IV	1	Annex II-A – tariff rate quota Annex II-B – entry price Annex II-C – anti-circumvention mechanism Protocol I, Title VIII, Art. 38.2 – Pan-Euro-Med
TBT	IV	3	Annex III-A – sectoral technical regulations Annex III-B – horizontal legislation
Food safety	IV	4	Annex XI-B – the list of the EU SPS legislative measures for approximation (to be added)
Customs service	IV	5	Annex XIII – list of the laws for approximation
Public procurement	IV	8	Annex XVI-B – schedule for institutional reforms, approximation and market access
IPRs protection	IV	9	Annex XVII – geographical indications
Competition policy	IV	10	