



EUROPEAN COMMISSION

MEMO

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EU-Georgia Deep and Comprehensive Free Trade Area

Scope

The Deep and Comprehensive Free Trade Area (DCFTA) is part of the Association Agreement and covers trade in goods. This includes energy, services and traditional flanking measures such as rules of origin, customs and trade facilitation, together with anti-fraud provisions as well as trade defence instruments. These rules aim to ensure that trade is liberalised to the fullest extent possible but provide for necessary precautions to ensure only eligible goods qualify for preferential treatment. A bilateral dispute settlement procedure is envisaged to solve issues in an expeditious manner.

The DCFTA also tackles the 'comprehensive' elements of an FTA, designed for Eastern Partnership countries. These include regulatory disciplines that aim to ensure a stable and growth-oriented policy framework that will boost competitiveness. It includes competition and transparency provisions, intellectual property rights, adaptation of domestic law with the EU acquis in the selected services areas and in public procurement.

Furthermore, Georgia strives to bring its legislation closer to that of the EU to modernise its export capacity in agricultural and industrial goods, as well as enhance consumer safety. Of notable concern are sanitary and phytosanitary standards. Georgia aims to create a food safety environment similar to the EU's, allowing it to export products of animal origin to the EU. Moreover, Georgia will adapt several laws concerning industrial goods, focusing on domestic safety and consumer protection aspects.

Economic Impact

The EU commissioned an independent consultant to conduct a Trade Sustainability Impact Assessment study prior to the conclusion of the negotiations. The study aimed to inform the EU about the likely impact of the DCFTA, and necessary flanking measures that could be required to accompany the on-going reforms in Georgia. The study predicts that the DCFTA will increase Georgia's export to the EU by 12% and import by 7.5%. Georgia's GDP could increase by +4.3% or 292 million Euro in the long term, provided that the DCFTA is implemented and its effects sustained.

Link to the study: <http://tsia.ecorys.com/georgia/> (Ecorys-CASE)

Tariff elimination and services offer

EU and Georgia aimed for a very ambitious liberalisation of import duties. The negotiated schedule foresees an immediate liberalisation of trade in the majority of goods, subject to an overseeing mechanism for a number of goods sensitive for the EU.

Georgia already has a very liberal set of commitments for services in the WTO GATS, which is further extended under the DCFTA. The EU, in turn, also provides for a broad set of commitments that go significantly beyond its GATS schedule.

In addition, the mutual offers cover establishment provisions more widely, beyond the WTO GATS schedules. In this way, both sides extend their commitment to allow setting up a business in Georgia or in the EU on equal terms in a wide variety of economic sectors. These commitments are supported by so called 'mode 4 provisions', which include mobility of natural persons for business purposes, within clearly defined and limited timeframes, covering inter alia categories such as intra-corporate transferees or independent professionals.

Policy reforms in trade-related areas

Alignment of domestic trade and trade-related legislation to that of the EU is the key component of the DCFTA. It aims to associate Georgia firmly with the EU but is also designed to upgrade and modernise domestic laws. The goal is to create a framework conducive to further economic development, increased competitiveness of the manufacturing and services sectors and enhanced growth and jobs opportunities. Such a policy-making environment will not only enhance coherence between EU and Georgian legislation in itself; it will lead to the reduction of barriers to trade and enhanced access to the EU market once this process is completed.

The EU is aware of the necessary timeframes that this process will require. The deadlines and scope for adaptation of laws have been negotiated with Georgia according to its priorities and needs.

Transparency and dialogue with stakeholders

The DCFTA-related modernisation of trade and related policies also aims to create an inclusive policy-making process focussing more systematically on the needs of consumers and ensure stakeholder participation in law-making. The trade and sustainable development chapter will oversee the dialogue with civil society in trade-related matters. The transparency chapter provides disciplines regarding openness of information and minimum standards for consultations with stakeholders on DCFTA-related domestic legislation

Reform-related assistance

The projected work on implementation of the DCFTA and related reforms will require adequate financial support by the EU and sharing of know-how with Georgia. The EU has been assisting Georgia in this regard since before the launch of negotiations in the framework of a special Comprehensive Institution Building programme worth €31 million (2011-2013). These efforts were part of a wider assistance package within the European Neighbourhood and Partnership Instrument worth €180 million. It included financial assistance as well as trainings and advisory activities (twinning, TAIEX, etc). Bilateral assistance of EU Member States also takes place in coordination with EU efforts. Further significant assistance, devoted specifically to the implementation of DCFTA, is planned in the new European Neighbourhood Instrument (2014-20).

For further information:

[Press release IP/13/721: EU and Georgia conclude talks on Deep and Comprehensive Free Trade Area](#)