

Questions and answers about the Partnership and Co-operation Agreement (PCA) between the European Union and Georgia

What is the PCA?

The PCA is a bilateral agreement which aims to intensify the political, economic and cultural relationship between Georgia and the EU. At its heart lies a mutual commitment to multi-party democracy, respect for human rights and the rule of law, and market economics. It aims to develop closer political links, fosters trade and investment development, supports the reform process in Georgia and creates the conditions necessary for the establishment of closer links between the EU and Georgia in all activities outside the military and security sphere, over the next ten years and beyond.

What are the main advantages of the PCA?

The PCA establishes an institutional, political and administrative framework to facilitate all forms of bilateral co-operation. It institutes a political dialogue; creates an open trade and investment regime between the parties; assists Georgia to adopt international standards and provides for cooperation in a wide range of areas from transport to education and from energy to combating illegal activities.

How does the PCA facilitate the import and export of goods between Georgia and the EU?

The PCA provides for Most Favoured Nation (MFN) treatment on tariffs and other border charges. It also eliminates quantitative restrictions on each others' exports, subject to certain limited exceptions, and stipulates that WTO rules on free transit of goods, dumping and export subsidies must be applied.

Are any areas excluded from the general MFN regime established by the PCA?

Trade in steel and textiles is excluded from the general PCA trade regime. A textile agreement has been in force for some years.

Is the EU or Georgia allowed to impose quotas on each other's goods?

The PCA forbids either side to impose quotas on the other's goods except in the field of textiles, steel and coal. Even there it is foreseen that trade should be regulated by common agreement wherever possible. In addition, both sides may take safeguard measures in the case where a single product is being imported in such increased quantities or under such conditions as to cause or threaten to cause substantial injury to domestic producers.

How are other non tariff trade barriers dealt with?

Georgia is endeavouring to make its legislation more compatible with that of the Community. Through the convergence of legislation, Georgian and EU companies and entities will become subject to compatible legal and technical standards and certification requirements. Other areas where Georgia is to align its law with that of the EC include customs laws, company law, banking law, company accounts and taxes, financial services, competition law, rules on public procurement, protection of human and animal health, environmental regulations, indirect taxation regulations, intellectual property protection, nuclear regulations and transport.

Will the PCA improve the investment climate and possibilities in Georgia?

Through the PCA, Georgia offers EU companies the best treatment offered to either domestic or foreign companies. The EU offers the same treatment it accords to most of its other partners - MFN treatment for the establishment of companies and national treatment for that of subsidiaries. Georgia also undertakes to consult the Community when introducing new laws and regulations which may affect European investors; if these make conditions for European businesses in Georgia more restrictive. They must not be applied during a "grace period" of three years. Other measures introduced by the PCA include those on legislative cooperation, intellectual property protection, free movement of direct capital investment and those requiring payments for goods and services to be made in freely convertible currency. These measures contribute to reducing risk and to an improvement in the business climate.

What does the PCA mean for capital transfers, banking and the financial services sector?

The PCA facilitates direct capital investment by EU companies and individuals in Georgia, as well as the repatriation of investments and profits from such investment. The PCA requires parties to authorise all payments in freely convertible currency.

Has the creation of EU/Georgian joint ventures been facilitated by the PCA?

Joint ventures will benefit from the general investment provisions of the Agreement. The articles on free movement of capital, including repatriation of profits, will be of particular interest to joint venture partners.

How is co-operation between small and medium-sized enterprises (SMEs) stimulated?

The PCA aims to strengthen SMEs through technical assistance aimed at developing relevant legislative frameworks and helping with the establishment of supporting institutions, e.g. technology parks. The Parties also undertake to facilitate industrial cooperation and business links with European partners.

Intellectual property, in particular copyright law, is an area of concern for many businesses. Are there any provisions that protect copyright and intellectual property for EU and Georgian businesses?

The PCA recognises the importance of ensuring an adequate protection of intellectual property. Particular attention will be given to copyright, patents, trade marks and industrial designs.

Georgia is committed to reaching the EU's level of copyright and intellectual property protection, and to acceding to all relevant multilateral conventions on intellectual, industrial and commercial property within 5 years.

Does the PCA facilitate the free circulation of people (Georgian citizens in the EU and EU citizens in Georgia)?

Access to labour markets and the issue of visas remain the prerogative of the different Member States. However, employment, in Georgia and the EU respectively, of senior employees on a temporary basis will be facilitated. Legally employed persons in any of the EU Member States or Georgia will not be discriminated against in terms of working conditions, payment or dismissal.

Does the PCA include law enforcement co-operation and assistance in the fight against crime?

The PCA contains provisions for co-operation and technical and administrative assistance to combat illegal immigration, counterfeiting, money laundering, drugs trafficking and illegal trade, e.g. in certain kinds of industrial waste. Customs co-operation against illegal traffic in goods is also included.

How will the PCA facilitate Georgia's entry into the WTO? What does Georgia's entry into the WTO mean for EU and Georgian businesses?

Many of the trade provisions in the PCA are based on the corresponding WTO articles. The PCA is thus a useful preparation for Georgia to undertake the obligations of WTO membership. These obligations will of course be far wider and will require major changes in Georgian legislation related to trade.

WTO accession will contribute powerfully to stabilising Georgia's trade legislation and reinforcing domestic economic reform and therefore increasing the stability and predictability for EU businessmen exporting to, or investing in, Georgia. The European Union would like Georgia to join the WTO as soon as possible. There will also be advantages for Georgian exporters who will be better able to ensure their rights in doing business world-wide.

What does the PCA mean for the environment?

The PCA foresees co-operation in the monitoring and distribution of information on pollution levels, environmental protection and ecological restoration, classification and handling of chemicals. Other areas include: combating of cross-border air and water pollution, disaster planning and joint research activities.

What does the PCA mean for the transport sector?

Equal treatment is granted for EU shipping agencies operating in Georgia as if they were Georgian shipping companies. Unrestricted access to the international market is granted to both EU and Georgian ships. The transport sector is not included in the overall provisions on the establishment of companies, but it is provided that specific agreements can be negotiated in these sectors; both the EU and Georgia are committed to easing customs and clearance procedures for both freight and passenger traffic.

What role will Tacis play in the implementation of the PCA?

Tacis is one of the key instruments in supporting co-operation in the various areas listed defined in the PCA. Its role is to fund and organise projects which involve the transfer of "know-how" to Georgia and has in the past involved programmes assisting Small and Medium Sized Enterprises (SMEs) and other programmes to promote foreign investment. In addition, Tacis has helped to privatise state-owned businesses.

Which mechanisms for redress exist if Georgia does not fulfil its obligations under the PCA?

The European Commission will be closely monitoring the compliance of Georgia with the PCA. The EU may at any time seek consultations with the Georgian government with a view to obtaining clarifications and ensuring future compliance. Disputes between the parties may be resolved through a conciliation procedure. Both sides agree to allow each other's nationals free and non-discriminatory access to their courts, and to encourage the resolution of disputes involving private companies through arbitration, if necessary through impartial international bodies.

Are there any bodies overseeing the implementation of the PCA?

The PCA established three new joint institutions. These are the Co-operation Council which will meet at least annually at ministerial level; the Co-operation Committee which brings together senior civil servants; and the Parliamentary Co-operation Committee, composed of representatives from the European Parliament and the Parliament of Georgia.

The tasks of the Co-operation Council are to monitor the implementation of the PCA, examine any major issues arising within its framework, as well as any other bilateral or international issues of mutual interest for the purpose of attaining the objectives of this Agreement. To this effect, the Co-operation Council, which will be assisted in these tasks by the Co-operation Committee, may make appropriate recommendations.

Who negotiated the PCA?

The PCA was negotiated on the one hand by the European Communities and their Member States, represented by the European Commission, and on the other hand by the Georgian government. The PCA is as much a bilateral treaty between EU Member States and Georgia as it is between the EU and Georgia.

What are the first priorities in the implementation of the PCA?

There are three broad priorities. One is to begin to launch co-operation initiatives in the fields foreseen in the PCA, such as the reform of Georgian institutions to meet the demands of a market economy and open democracy. The second broad priority is to implement the specific commitments in individual trade fields like market access, protection of intellectual property rights, etc. made in the PCA. Most of these commitments require action by the Georgian side. Thirdly, both sides undertake to cooperate in building closer links between Georgia and the EU through political dialogue, enhancing commercial links and regulatory convergence.

The PCA has a ten year duration. When does this ten year period start? What will happen when the PCA expires?

The PCA will enter into force on 1 July 1999. At the end of its ten year duration, the PCA is automatically renewed annually unless one of the signatory parties indicates it no longer wishes to renew it.

Can the Agreement be suspended?

Article 2 specifies that respect for democracy, the rule of law, human rights and the principles of the market economy constitute 'essential elements' underpinning the Agreement. The parties agree that if these are breached, the application of the PCA may be suspended – after consultation, or in cases of special urgency, unilaterally.

If I have questions about the PCA, whom do I ask?

Further questions regarding the PCA can be addressed to the European Commission (DG IA), fax 00 32 2 296 3912