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**Committee on Regional Trade Agreements**

**FACTUAL PRESENTATION**

STRATEGIC PARTNERSHIP AND COOPERATION AGREEMENT  
BETWEEN THE UNITED KINGDOM AND GEORGIA  
(GOODS AND SERVICES)

*Report by the Secretariat*

This report, prepared for the consideration of the Strategic Partnership and Cooperation Agreement between the United Kingdom and Georgia, has been drawn up by the WTO Secretariat on its own responsibility and in full consultation with the Parties. The factual presentation reproduces as closely as possible the terminology used in the Agreement and in the comments provided and does not imply official endorsement or acceptance by the Secretariat of such terminology. The report has been drawn up in accordance with the rules and procedures contained in the Decision for a Transparency Mechanism for Regional Trade Agreements (WT/L/671) and thus does not imply any value judgement by the Secretariat regarding the contents of the Agreement.

Any technical questions arising from this report may be addressed to Ms Rohini Acharya (tel: +41 22 739 5874) and Ms Alena Fiorentino (tel: +41 22 739 6405). Any statistical questions arising from this report may be addressed to Ms Rowena Cabos (tel: +41 22 739 5185).

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**TABLE OF CONTENTS**

	<i>Page</i>
<b>1 TRADE ENVIRONMENT.....</b>	<b>4</b>
1.1 Merchandise trade .....	4
1.2 Trade in services and investment .....	6
<b>2 CHARACTERISTIC ELEMENTS OF THE AGREEMENT .....</b>	<b>8</b>
2.1 Background Information .....	9
<b>3 PROVISIONS ON TRADE IN GOODS .....</b>	<b>10</b>
3.1 Import duties and charges, and quantitative restrictions.....	10
3.1.1 General provisions .....	10
3.1.2 Liberalization of trade and tariff lines .....	10
3.1.3 Tariff rate quotas.....	12
3.2 Rules of origin.....	12
3.3 Export duties and charges, and quantitative restrictions .....	13
3.4 Regulatory provisions on trade in goods .....	13
3.4.1 Standards.....	13
3.4.1.1 Sanitary and phytosanitary measures.....	13
3.4.1.2 Technical barriers to trade .....	13
3.4.2 Safeguard mechanisms .....	14
3.4.2.1 Global safeguards .....	14
3.4.2.2 Bilateral safeguards.....	14
3.4.2.3 Special safeguards .....	14
3.4.2.4 Other safeguards .....	14
3.4.3 Anti-dumping and countervailing measures.....	14
3.4.4 Subsidies and State-aid .....	14
3.4.5 Customs-related procedures.....	14
3.4.6 Sector-specific provisions .....	15
3.4.6.1 Anti-circumvention mechanism .....	15
<b>4 PROVISIONS ON TRADE IN SERVICES.....</b>	<b>15</b>
4.1 Scope and definitions.....	15
4.2 Denial of benefits .....	16
4.3 General provisions on trade in services .....	16
4.3.1 Market access .....	16
4.3.2 National and MFN treatment.....	16
4.3.3 Commercial presence .....	17
4.3.4 Movement of natural persons .....	17
4.4 Liberalization commitments .....	18
4.4.1 The United Kingdom.....	18
4.4.1.1 MFN and horizontal commitments .....	18
4.4.1.2 Sector specific commitments .....	18
4.4.2 Georgia .....	22
4.4.2.1 MFN and horizontal commitments .....	22
4.4.2.2 Sector specific commitments .....	23
4.5 Regulatory provisions.....	25
4.5.1 Domestic regulation .....	25

4.5.2	Recognition.....	26
4.5.3	Subsidies.....	26
4.5.4	Safeguards .....	26
4.5.5	Other .....	26
4.5.5.1	Investment .....	26
4.5.5.2	Monopolies and exclusive service suppliers.....	26
4.6	Sector specific provisions on trade in services .....	26
4.6.1	Computer services .....	26
4.6.2	Postal and courier services.....	27
4.6.3	Electronic communication networks and services .....	27
4.6.4	Financial Services .....	27
4.6.5	Transport services .....	27
<b>5</b>	<b>GENERAL PROVISIONS OF THE AGREEMENT .....</b>	<b>28</b>
5.1	Transparency .....	28
5.2	Current payments and capital movements .....	28
5.3	Exceptions.....	28
5.3.1	General exceptions .....	28
5.3.2	Security exceptions.....	28
5.3.3	Taxation .....	29
5.3.4	Safeguard measures related to balance of payment (BOP) difficulties .....	29
5.4	Accession and Withdrawal.....	29
5.5	Institutional framework of the Agreement.....	29
5.6	Dispute settlement .....	29
5.6.1	Consultations and mediation .....	30
5.6.2	Arbitration procedures.....	30
5.7	Relationship with other agreements concluded by the Parties.....	30
5.8	Government procurement.....	32
5.9	Intellectual property rights .....	33
5.9.1	Competition .....	34
5.9.2	Sustainable development.....	35
5.10	Electronic commerce .....	35
5.11	Small and medium sized enterprises .....	36
5.12	Others.....	36
5.12.1	Trade-related energy.....	36
5.12.2	Economic and other sectoral cooperation .....	36
<b>ANNEX 1</b>	<b>.....</b>	<b>37</b>
<b>ANNEX 2</b>	<b>.....</b>	<b>41</b>

### Key Facts

<b>Parties to the Agreement:</b>	The United Kingdom and Georgia
<b>Date of Signature:</b>	<b>21 October 2019</b>
<b>Date of Entry into Force:</b>	<b>1 January 2021</b>
<b>Date of Notification:</b>	<b>31 December 2020</b>
<b>Full implementation:</b>	<b>2021</b>

The Factual Presentation describes the Strategic Partnership and Cooperation Agreement (hereinafter referred to as "the Agreement") between the United Kingdom and Georgia (hereinafter referred to as "the Agreement"), which was concluded by the Parties and entered into force on 1 January 2021. The Agreement preserves most of the commitments between the Parties established under the Deep and Comprehensive Free Trade Area Agreement between Georgia and the European Union (hereinafter referred to as the "EU Georgia Agreement") that entered into force on 1 September 2014. The factual presentation therefore also refers to the EU Georgia Agreement.

## 1 TRADE ENVIRONMENT<sup>1</sup>

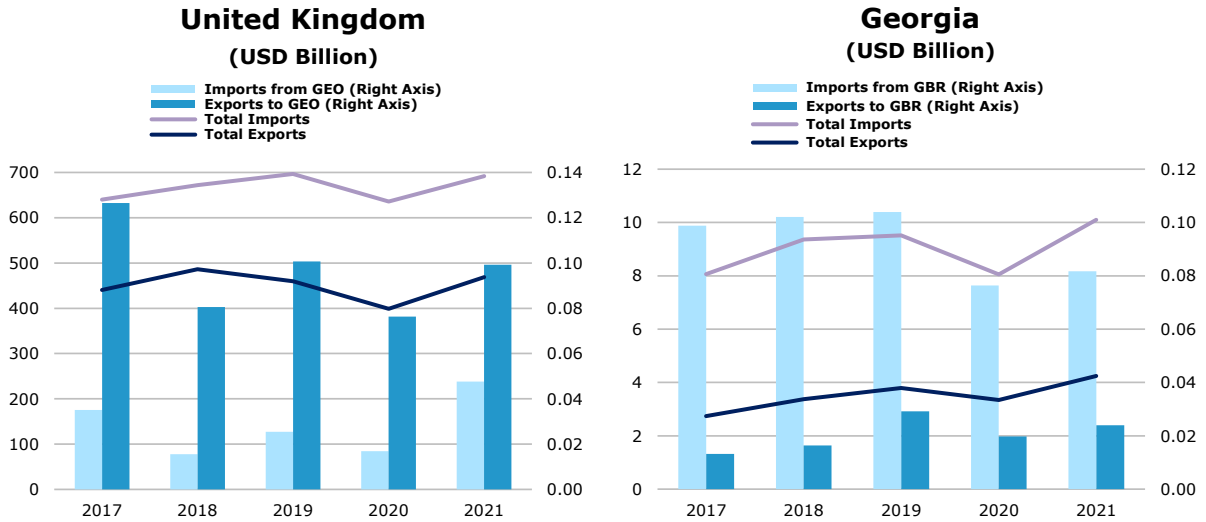
1.1. In 2021 the UK's GDP was valued at USD 3.19 billion, while that of Georgia was USD 18.7 billion. Their share of global merchandise trade is considerably different, with the UK accounting for 2.10% and 3.07% of global exports and imports and ranked 14<sup>th</sup> and 8<sup>th</sup> in terms of global exports and imports respectively while Georgia accounted for 0.02% and 0.04% and ranked 123 for exports and 102 for imports in 2021. Manufactures dominate both imports and exports of the Parties (68.4% of exports and 56.7% of imports for the UK and 41.1% and 62.8% of Georgia's exports and imports). Agricultural products and fuels and mining products are also significant exports for Georgia, accounting in 2021 for 28.5% and 27.2% of its exports and imports respectively. Based on 2020 trade data, the UK was Georgia's 21<sup>st</sup> largest source of imports and 24<sup>th</sup> largest export destination, while Georgia was the UK's 101<sup>st</sup> largest source of imports and 75<sup>th</sup> largest export destination.

1.2. The UK's share of global trade in commercial services in 2021 was 6.92% and 4.31% of exports and imports respectively, with a ranking of 2<sup>nd</sup> and 6<sup>th</sup> in global exports and imports respectively. Georgia's share in commercial services trade is also significantly lower at 0.04% and 0.03%, with a ranking of respectively 99 and 118 for exports and imports. Averaged over the period 2019-2021, the Parties' trade (goods and services) to GDP ratio was 28.9% for the UK and 52.2% for Georgia.

### 1.1 Merchandise trade

1.3. Developments in global and intra-Party trade are presented in Chart 1.1 over the period 2017-21. Both Parties maintained global trade deficits during this period, while the UK has maintained a surplus, albeit declining, with Georgia.

<sup>1</sup> Source for this section: WTO Trade Profiles 2022 (2021 data), UK authorities and UNSD Comtrade database.

**Chart 1.1 United Kingdom and Georgia: merchandise bilateral and global trade, 2017-21**

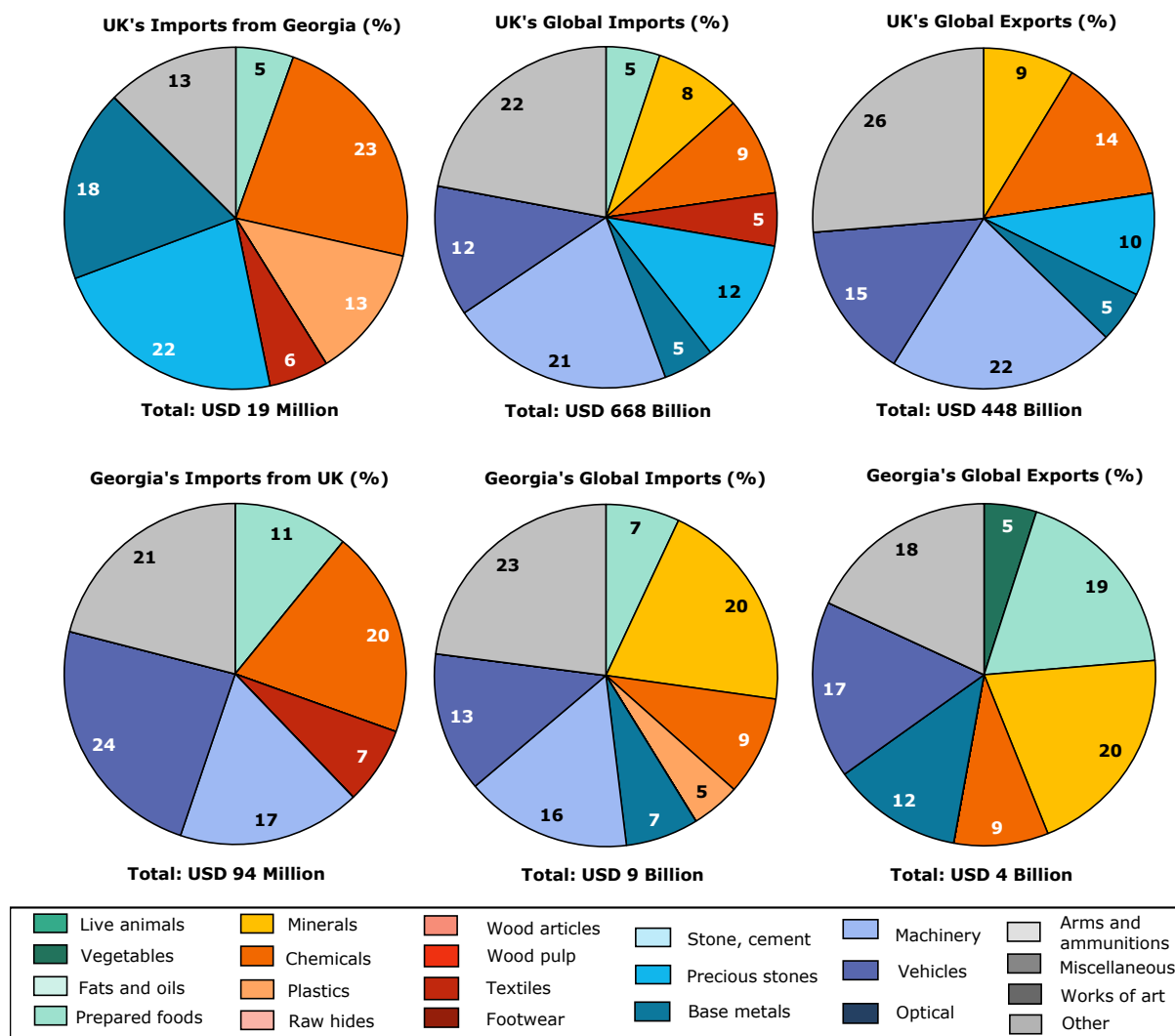
Note: Exchange rates from GBP to USD: 0.78 (2017), 0.75 (2018), 0.78 (2019), 0.78 (2020), and 0.73 (2021).

Source: UK authorities and UNSD Comtrade database, March 2023.

1.4. The commodity structure of the Parties' global and bilateral trade, during the period 2018-2020, is shown in Chart 1.2, on the basis of Harmonized System (HS) Sections.

1.5. Among Georgia's key exports of minerals, prepared foods, vehicles and base metals which accounted in this period for 68% of its global exports, the UK mainly imported base metals (18% of total imports from Georgia), with the largest imports being precious stones and plastics, which together accounted for 45% of its imports from Georgia. In comparison machinery, vehicles and chemicals, which accounted for 51% of the UK's global exports, are all key imports by Georgia from the UK (accounting for 61% of Georgia's imports from the UK).

**Chart 1.2 United Kingdom and Georgia: Product Composition of merchandise trade, annual average (2018-20)**



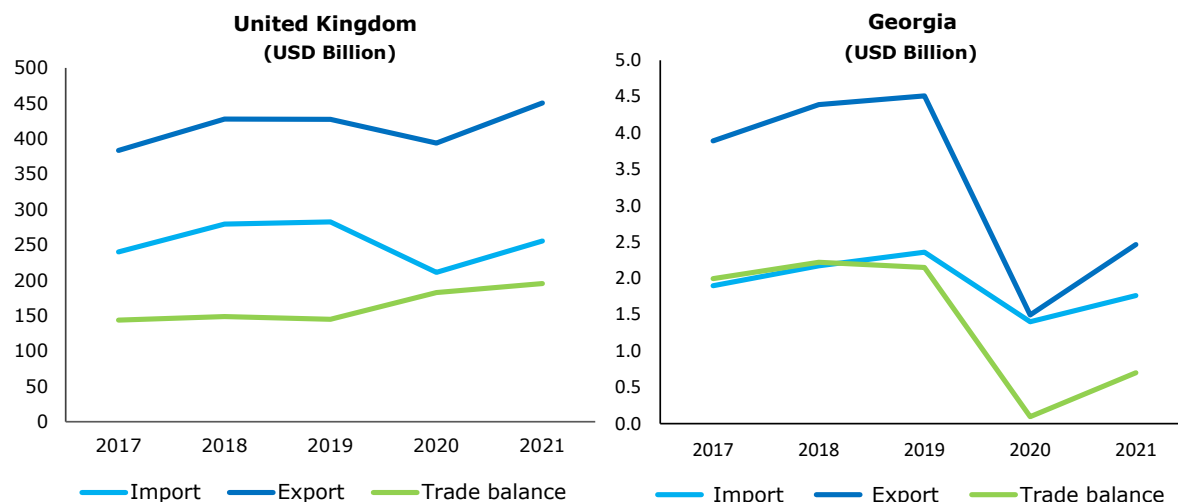
Note: Exchange rates from GBP to USD: 0.75 (2018), 0.78 (2019), and 0.78 (2020).

Source: UK authorities and UNSD Comtrade database, March 2023.

**1.2 Trade in services and investment**

1.6. Chart 1.3 below shows the Parties' global trade in commercial services during 2017-21, while Chart 1.4 shows a breakdown of these services for 2018-20. Both Parties had a positive balance in their global trade in services, although the surplus declined significantly for Georgia in 2020 before rising again in 2021. The UK's global exports are dominated by other business services, financial and travel services, while it mainly imports other business services, travel and transportation services. Georgia's exports and imports are both dominated by travel and transportation services.

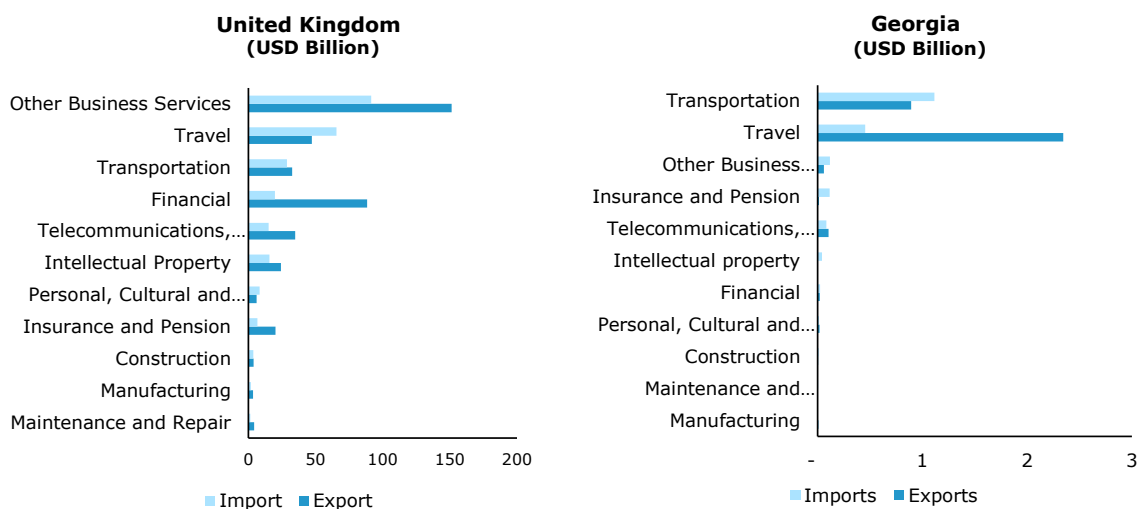
**Chart 1.3 United Kingdom and Georgia: Trade in commercial services with the world, 2017-2021**



Note: Exchange rates from GBP to USD: 0.78 (2017), 0.75 (2018), 0.78 (2019), 0.78 (2020), 0.73 (2021).

Source: UK authorities and WTO Statistics Database.

**Chart 1.4 United Kingdom and Georgia: Commercial services trade with the world by category, 2017-2020**



Note: Exchange rates from GBP to USD: 0.75 (2018), 0.78 (2019), 0.78 (2020).

Source: UK authorities and WTO Statistics Database.

1.7. Chart 1.5 below shows each Party's global foreign direct investment (FDI) stocks and flows during 2017-2021. Both Parties have been net recipients of global FDI for much of the period with a decline in inflows especially in 2020. The UK is a net investor in Georgia with a sharp increase in the stock of UK FDI in Georgia since 2018.

**Chart 1.5 United Kingdom and Georgia: bilateral and global FDI, 2017-2021**



Note: Exchange rates from GBP to USD: 0.78 (2017), 0.75 (2018), 0.78 (2019), 0.78 (2020), and 0.73 (2021). No bilateral data available for Georgia.

Source: UK authorities and UNCTAD.

## 2 CHARACTERISTIC ELEMENTS OF THE AGREEMENT

2.1. UK-Georgia trade relations were previously governed by the EU-Georgia Agreement which ceased to apply to the UK as of 1 January 2021.



2.2. The Agreement is one of the UK's 38 and Georgia's 14 RTAs in force and notified to the WTO.<sup>2</sup> It was signed on 21 October 2019 and entered into force on 1 January 2021. The Agreement was notified to the WTO on 7 January 2021 under Article XXIV:7(a) of the GATT 1994 and its Understanding and Article V of the GATS.

## 2.1 Background Information

2.3. The text of the Agreement is available from the following websites:

### United Kingdom:

<https://www.gov.uk/government/publications/ukgeorgia-strategic-partnership-and-cooperation-agreement-cs-georgia-no12019>

### Georgia:

[https://www.economy.ge/uploads/files/2017/foreign\\_trade/2023/cs\\_georgia\\_1\\_2019\\_uk\\_georgia\\_strategic\\_partnership\\_and\\_cooperation\\_agreement.pdf](https://www.economy.ge/uploads/files/2017/foreign_trade/2023/cs_georgia_1_2019_uk_georgia_strategic_partnership_and_cooperation_agreement.pdf)

2.4. The Agreement is composed of 8 Titles and Annexes and 2 Protocols which form an integral part of the Agreement (Box 2.1 below).

### Box 2.1 Structure of the Agreement

Chapters, and Annexes	Title/description
<b>Preamble</b>	
Title I	General Principles
Title II	Strategic Political Dialogue and Reform, Cooperation in the Field of Foreign and Security Policy
Title III	Freedom, Security and Justice
Title IV	Trade and Trade-Related Matters
Chapter 1	National Treatment and Market Access for Goods
Chapter 2	Trade remedies
Chapter 3	Technical Barriers to Trade, standardisation, metrology, accreditation and conformity assessment
Chapter 4	Sanitary and Phytosanitary Measures
Chapter 5	Customs and trade facilitation
Chapter 6	Establishment, trade in services and electronic commerce
Chapter 7	Current payments and movement of capital
Chapter 8	Public procurement
Chapter 9	Intellectual Property rights
Chapter 10	Competition
Chapter 11	Trade-related energy provisions
Chapter 12	Transparency
Chapter 13	Trade and sustainable development
Chapter 14	Dispute Settlement
Title V	Economic Cooperation
Title VI	Other Cooperation Policies
Title VII	Financial Assistance, And Anti-Fraud and Control Mechanisms

<sup>2</sup> WTO RTA database ([WTO | Regional trade agreements](#)). Accessions to RTAs are excluded.

Chapters, and Annexes	Title/description
<b>Preamble</b>	
Title VIII	Institutional, General and Final Provisions
<b>Annexes</b>	
<b>Annexes</b>	<b>Title</b>
Annexes I-XVII	Supplementary provisions referring to specific parts of the Agreement
Protocol I	Concerning the definition of the concept of 'Originating products' and methods of administrative cooperation
Protocol II	On mutual administrative assistance on customs matters

### 3 PROVISIONS ON TRADE IN GOODS

#### 3.1 Import duties and charges, and quantitative restrictions

##### 3.1.1 General provisions

3.1. Under Title IV, which covers trade and trade-related matters, Article 21 of Chapter 1 provides that the Parties will establish a free trade area from the entry into force of the Agreement, in accordance with the provisions of the Agreement and of Article XXIV of the GATT 1994. Each Party shall accord national treatment to the goods of the other Party per Article III of the GATT 1994 including the interpretative notes, which are incorporated into the Agreement by reference (Article 30). All customs duties are to be eliminated upon entry into force of the Agreement, except as provided in Articles 25.2 on tariff rate quotas for products in Annex II-A of the Agreement and Article 25.3 (for goods subject to an entry price system) and without prejudice to Article 25.4 on processed agricultural products from Georgia subject to an anti-circumvention provisions under Article 26 of the Agreement (Section 3.4.6.1 below).

3.2. Neither Party may adopt any new customs duty on a good originating in the other Party or increase any customs duty applied on the date of entry into force of the Agreement except as authorized by the Dispute Settlement Body of the WTO (Article 27). Upon request by either Party, the Parties will consult to consider broadening the scope of liberalization of customs duties (Article 25.5). A decision under Article 25.5 shall be made by the Strategic Partnership and Cooperation Forum in Trade configuration as set out in Article 354.3 of the Agreement.

3.3. Each Party shall ensure, in accordance with Article VIII of GATT 1994 and its interpretative notes, that all fees and charges of whatever character other than customs duties or other measures referred to in Article 25 of the Agreement are limited to the approximate cost of services rendered and do not represent an indirect protection to domestic goods or a taxation of imports or exports for fiscal purposes (Article 29).

3.4. Section 3 of Chapter 1 of Title IV concerns non-tariff measures. Neither Party shall adopt or maintain any prohibition or restriction on the import (or export or sale for export) of any good of the other Party except as otherwise provided for in the Agreement or in accordance with Article XI of the GATT and its interpretative notes which are incorporated into the Agreement by reference (Article 31).

##### 3.1.2 Liberalization of trade and tariff lines

3.5. All tariffs are to be eliminated by the Parties on entry into force of the Agreement except as provided for in Annex II:

- a. One product (garlic, fresh or chilled, at the eight-digit level) subject to an annual duty-free tariff-rate quota of 30 metric tonnes by the UK to Georgia (Annex II-A);
- b. 28 tariff lines (at the eight-digit level) subject by the UK to entry prices for which, when imported from Georgia, the *ad valorem* component of the import duty is exempted (Annex II-B). The UK confirms that it does not apply the entry price system; and

- c. 233 agricultural and 44 processed agricultural products subject by the UK to the anti-circumvention mechanism<sup>3</sup> (Annex II-C and Article 26). The UK indicates that these trigger volumes have not been reached. No changes have been made to the list of products to which the mechanism applies.

3.6. Tables 3.1 and 3.2 show tariff elimination by the UK and Georgia under the Agreement. In 2021 when the Agreement entered into force, around 47% of the UK's tariff (4,462 lines) were already duty-free on an MFN basis corresponding to 52.9% of UK imports from Georgia in 2018-20.<sup>4</sup> Under the Agreement, a further 5,031 lines were liberalized, corresponding to 47.1% of imports from Georgia in 2018-20. As a result, only one line remains dutiable following implementation of the Agreement.

**Table 3.1: UK  
Tariff elimination commitments under the Agreement and corresponding average trade**

Duty phase-out period	Tariff lines in UK's tariff schedule		UK's imports from Georgia (2018-20) <sup>a</sup>	
	Number	%	Value (USD million) <sup>b</sup>	%
2021 (MFN)	4,462	47.0	10.1	52.9
2021	5,031	53.0	9.0	47.1
Remain dutiable	1	0.0	0.0	0.0
<b>TOTAL</b>	<b>9,494</b>	<b>100.0</b>	<b>19.0</b>	<b>100.0</b>

a Import coverage is for HS chapters 1-97.

b The import values were reported in GBP and converted into USD using exchange rates of 0.749531540259847(2018), 0.783445110011929 (2019) and 0.779999576697153 (2020).

Note: Tariff lines subject to in-quota rates are excluded from the computation. Based on the HS 2017 nomenclature.

Source: WTO estimates based on data provided by the UK.

3.7. Table 3.2 shows Georgia's duty elimination under the Agreement. In 2021 when the Agreement entered into force, 80.5% of its tariff (8,092 lines) was already duty free on an MFN basis, corresponding to 61% of its imports from the UK during 2019-20.<sup>5</sup> Under the Agreement Georgia liberalized all remaining 1,958 lines (19.5%) of the tariff for imports from the UK, corresponding to 39% of its imports from the UK in 2018-20.

**Table 3.2: Georgia: Tariff elimination commitments under the Agreement and corresponding average trade**

Duty phase-out period	Number of lines	% of total lines in Georgia's tariff schedule	Value of Georgia's imports from the UK (2018-2020) <sup>a</sup> USD million	% of Georgia's total imports from the UK (2018-2020)
2021 (MFN)	8,092	80.5	54.1	61.0
2021	1,958	19.5	34.6	39.0
<b>TOTAL</b>	<b>10,050</b>	<b>100.0</b>	<b>88.7</b>	<b>100.0</b>

a Import coverage is from HS chapters 1-97.

Note: Based on the HS 2017 nomenclature.

Source: WTO estimates based on data provided by Georgia authorities and the WTO-IDB.

<sup>3</sup> Agricultural products covered include beef, pork and sheep meat; poultry meat; dairy products; eggs in shell and albumins; mushrooms; cereals; malt and wheat gluten; starches; sugars; bran, sharps and other residues. Processed agricultural products covered are sweet corn; sugar processed; cereal processed and cigarettes.

<sup>4</sup> In 2021 the UK's MFN applied tariff consisted of 9,494 lines (at eight-digit level) of which 8,613 lines (90.72%) had *ad valorem* rates of duty. Of the remainder, 647 lines were subject to specific duties, 230 compound and 4 mixed.

<sup>5</sup> In 2021 Georgia's applied MFN tariff at the eleven-digit level consisted of 10,050 lines of which 97.05% (9,754 lines) had *ad valorem* rates of duty. 250 lines had specific rates and 46 lines had other rates.

### 3.1.3 Tariff rate quotas

3.8. As noted above, Annex II-A provides that garlic, fresh or chilled (0703 20 00) is subject to an annual duty-free tariff rate quota of 30 metric tonnes. The out of quota rate is the MFN rate which was 8% in 2021.

### 3.2 Rules of origin

3.9. The rules of origin applicable in the context of the Agreement are set out in Protocol I to the Agreement (concerning the definition of the concept of "originating products" and methods of administrative cooperation). While definitions are provided for under Title I of the Protocol, the concept of "originating products" is defined in Title II of Protocol I. Annexes I-IVb to Appendix I to the Regional Convention on pan-euro-Mediterranean preferential rules of origin are incorporated into and made part of Protocol I. According to Article 2 of the Protocol, a good is considered as originating in a Party when:

- a. it is wholly obtained in a Party; or
- b. it is obtained in a Party, incorporating materials which have not been wholly obtained there, provided they have undergone sufficient working or processing in that Party within the meaning of Article 6.

3.10. Articles 3 and 4 define cumulation, respectively for the UK and Georgia. Products shall be considered originating in the UK (or Georgia) if they are obtained there, incorporating materials obtained in the EFTA States, Türkiye, the EU, Georgia (or the UK) or any of the 'Contracting Parties' of the Regional Convention on pan-Euro Mediterranean preferential rules of origin (PEM Convention) provided that the working or processing carried out in the UK (or Georgia) goes beyond operations referred to in Article 7 (insufficient working or processing).<sup>6</sup> Working or processing carried out in Iceland, Norway or the EU shall be considered as having been carried out in the UK when the products obtained undergo subsequent working or processing in the UK that goes beyond operations referred to in Article 7.<sup>7</sup> Cumulation with the EU may be applied once arrangements on administrative cooperation have been made between the UK, Georgia and the EU, and is expressed as conditional on materials and products having acquired originating status by the application of rules of origin identical to those in the Protocol.<sup>8</sup>

3.11. Product specific rules of origin in Incorporated Annex II to the Protocol list, per product or category of products, the conditions that need to be fulfilled for products to be considered "sufficiently worked or processed". Article 6.2 contains a tolerance provision, permitting non-originating materials, the value of which does not exceed 10% of the ex-work prices of the products, to be used, subject to certain exceptions. For a number of products, the list in Annex II to the Protocol sets out the maximum value of non-originating materials not to be exceeded if the products are to qualify as originating (Article 6.2).

3.12. Duty drawback is not permitted (Title IV (Drawback or exemption) with modalities and conditions related to the prohibition on drawback in Article 15.

3.13. Title V of Protocol I contains detailed disciplines related to proof of origin. Title VI of Protocol I sets disciplines and registers commitments by the Parties in relation to administrative cooperation.

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<sup>6</sup> Where working or processing in the UK (or Georgia) does not go beyond the operations referred to in Article 7 the product obtained shall be considered as originating in the UK (or Georgia) only where the value added there is greater than the value of the materials used that are originating in any of the other countries. If not, the product obtained shall be considered as originating in the country which accounts for the highest value of the originating materials used in the manufacture in the UK (or Georgia). Products originating in the other countries which do not undergo any working or processing in the UK (or Georgia) retain their origin if exported into one of these countries.

<sup>7</sup> Where working or processing in the UK does not go beyond the operations in Article 7 the product obtained shall be considered as originating in the UK only where the value added there is greater than the value added in any of the other countries.

<sup>8</sup> Products from Ceuta and Melilla are not to be considered as originating in the EU (Title VII of the Protocol). Products meeting the conditions of the Protocol from the Principality of Andorra and under Chapters 25-97 (Annex A) and from the Republic of San Marino (Annex B) shall be accepted by the Parties as originating in the EU.

It addresses verifications of proofs or origin, the settlement of dispute in relation to the verification procedure or other origin-related matters, penalties, and free zones situated in the Parties' territories.

### **3.3 Export duties and charges, and quantitative restrictions**

3.14. Any duties or taxes (other than internal charges applied in conformity with Article 29 of the Agreement) are prohibited (Article 28) while Article 31 prohibits the adoption or maintenance of any prohibition or restriction on the export or sale for export of any good destined for the territory of another Party, except as provided in the Agreement or in accordance with Article XI of GATT 1994, which is, together with its interpretative notes, incorporated into and made part of the Agreement.

### **3.4 Regulatory provisions on trade in goods**

#### **3.4.1 Standards**

##### **3.4.1.1 Sanitary and phytosanitary measures**

3.15. Under Chapter 4 of Title IV the Parties reaffirm their rights and obligations under the WTO Agreement on SPS (Article 50). The SPS provisions of the Agreement build on the WTO provisions in areas such as recognition for trade purposes of animal health and pest status and recognition of equivalence, including the possibility to withdraw or suspend equivalence in certain conditions and under certain circumstances (Article 55.6); transparency and exchange of information (Article 56); notification, consultation and facilitation of communication (Article 57); trade conditions (Article 58); certification procedure (Article 59); verification (Article 60); and import checks and inspection fees (Article 61). Safeguard measures are governed by Article 62.

3.16. The Parties shall inform each other about the structure, organization and division of competences of their competent authorities during the first meeting of the SPS Sub-Committee<sup>9</sup> established under Article 63. According to the Parties, the first meeting of the SPS Sub-Committee took place in September 2022. The competent authority for the UK is the Department for Environment, Food and Rural Affairs. The competent authority for Georgia is the Ministry of Environmental Protection and Agriculture.

3.17. The Sub-Committee adopts its decisions, recommendations or other action by consensus and where necessary, informs the Strategic Partnership and Cooperation Forum in Trade configuration on a regular basis, through a report on its activities and decisions taken within its competence (see Section 5.5 below).

##### **3.4.1.2 Technical barriers to trade**

3.18. Title IV, Chapter 3, Articles 43-48 concern technical barriers to trade (TBT). It applies to the preparation, adoption and application of standards, technical regulations and conformity assessment procedures as defined in the WTO Agreement on TBT (Article 43.1)

3.19. In Article 44 the Parties reaffirm their rights and obligations under the TBT Agreement, which is incorporated into the Agreement. Article 45 concerns technical cooperation on TBT matters between the Parties while Article 46 requires Georgia to achieve the level of administrative and institutional effectiveness necessary to provide an effective and transparent system for the implementation of the Chapter and facilitate the participation of relevant national bodies in the European and international organizations for standardization, metrology, and conformity assessment.

3.20. Article 47 permits the Parties to add as a Protocol to the Agreement an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). The Parties clarify that they have not yet initiated this Protocol. In Article 48.1 concerning marking and labelling the Parties reaffirm the principles of Chapter 2.2 of the WTO TBT Agreement, without prejudice to the provisions of Article 46 and 47 of the Agreement.

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<sup>9</sup> Technical working groups may be established, under the SPS Sub-Committee.

### **3.4.2 Safeguard mechanisms**

3.21. Section 1 of Chapter 2 of Title IV concerns the use of global safeguard measures.

#### **3.4.2.1 Global safeguards**

3.22. In Article 36.1 the Parties confirm their rights and obligations under Article XIX of GATT 1994, the WTO Agreement on Safeguards, and Article 5 of the WTO Agreement on Agriculture. Preferential rules of origin granted under Chapter 1 of Title IV of the Agreement do not apply (Article 36.2). The dispute settlement provisions of the Agreement do not apply to global safeguard measures (Article 36.3).

3.23. Article 37 of the Agreement sets out transparency obligations in relation to the initiation of safeguard investigations and the imposition of safeguard measures. Article 38.1 provides that the Parties shall endeavour to impose safeguard measures in a way that affects bilateral trade the least. Article 38.2 sets out prior notification and consultation obligations in relation to definitive safeguard measures; if no satisfactory solution is reached within 30 days of the notification the Party may adopt the appropriate measure to remedy the problem (Article 38.2).

#### **3.4.2.2 Bilateral safeguards**

3.24. There are no specific rules on bilateral safeguards in the Agreement.

#### **3.4.2.3 Special safeguards**

3.25. There are no provisions on special safeguards in the Agreement. However, there is an anti-circumvention mechanism that applies to agricultural products imported by the UK from Georgia (Section 3.4.6.1 below).

#### **3.4.2.4 Other safeguards**

3.26. The Agreement is silent on the use by the Parties of balance of payment (BOP) measures for trade in goods. Some disciplines on BOP safeguard measures are however mentioned in relation to current payments and movement of capital (see Section 5.3 below).

### **3.4.3 Anti-dumping and countervailing measures**

3.27. Title IV, Chapter 2, Section 2, Articles 39-42 concern the application of anti-dumping and countervailing duty measures. The Parties confirm their rights and obligations under Article VI of the GATT 1994, the WTO Anti-Dumping Agreement and the WTO Agreement on Subsidies and Countervailing (SCM Agreement). The dispute settlement provisions of the Agreement do not apply to anti-dumping and countervailing measures (Article 39.3). In addition to providing that measures taken should be in full compliance with the WTO Anti-Dumping and SCM Agreements, Article 40 requires full and meaningful disclosure of all essential facts and considerations forming the basis of the decision to apply measures. Article 41 prohibits the application of such measures where it can clearly be concluded, on the basis of information made available during the investigation, that it is not in the public interest to apply them. Article 42 creates a lesser duty rule.

### **3.4.4 Subsidies and State-aid**

3.28. General State-aid and subsidy disciplines are contained in Chapter 10 of Title IV (Articles 195-197 (competition) (see Section 5.9.2 below).

### **3.4.5 Customs-related procedures**

3.29. Title IV, Chapter 5, Articles 64-72 concern customs and trade facilitation. In Article 65 the Parties agree that their respective trade and customs legislation shall be stable and comprehensive and that the provisions and procedures shall be proportionate, transparent, predictable, non-discriminatory, impartial and applied uniformly and effectively. Additional requirements are set out in Article 65.1(a)-(m). Article 65.2 sets out specific requirements to improve working methods as well as ensure non-discrimination, transparency, efficiency, integrity and accountability of

operations, with particular obligations described in Articles 65.2 (a)(e). In Article 65.3 the Parties agree to eliminate any requirements for the mandatory use of customs brokers, and pre-shipment or destination inspections.

3.30. On transit, Article 65.4 provides that the transit rules and definitions of the WTO provisions, in particular Article V of the GATT 1994, and any related provisions including any clarifications or amendments resulting from Doha Round negotiations on trade facilitation shall apply, including when the transit of goods begins or ends in the territory of a Party. The Parties agree to pursue the progressive interconnectivity of their respective customs transit systems, with a view to the future participation of Georgia in the common transit system. They also agree to ensure cooperation and coordination between all relevant parties in their territories to facilitate traffic in transit and promote cooperation between the authorities and the private sector on transit.

3.31. Under Article 67 the Parties shall prohibit administrative fees having an equivalent effect to import or export duties or charges, with additional conditions in Article 67.2.

3.32. On Customs Valuation, the Agreement on Implementation of Article VII of GATT 1994 shall govern the customs valuation of goods traded between the Parties. Minimum customs values are not to be used. The Parties also agree to cooperate with a view to reaching a common approach on customs valuation. The aim of Article 69 is also to strengthen cooperation to ensure implementation of the objectives of the Chapter to further trade facilitation. In subparagraphs (a)-(j) the Parties list areas in which the Parties will cooperate on customs matters. Mutual administrative assistance is to be provided in accordance with Protocol II on Mutual Administrative Assistance in Customs Matters (Article 70) while cooperation to provide technical assistance and capacity building for the implementation of trade facilitation and customs reforms is also envisaged (Article 71). Article 72 creates a Customs Sub-Committee which reports to the Strategic Partnership and Cooperation Forum in Trade configuration. To date, the subcommittee has not met.

### **3.4.6 Sector-specific provisions**

#### **3.4.6.1 Anti-circumvention mechanism**

3.33. Article 26 establishes an anti-circumvention mechanism for agricultural and processed agricultural products (listed in Annex II-C) imported by the UK from Georgia.<sup>10</sup> When the volume of imports of one or more categories of products reaches 70% of the annual volume indicated in the Annex, the UK shall notify Georgia about the volume of imports of the product(s) concerned. Within 14 days of the volume reaching 80% of that volume, Georgia shall provide the UK with a sound justification that it has the capacity to produce the product for export to the UK in excess of the volume indicated in the Annex. If those imports reach 100% of the volume indicated in Annex II-C, and in the absence of a sound justification by Georgia, the UK may temporarily suspend preferential treatment for the products concerned for a maximum of six months. The suspension may be lifted before the expiry of six months if Georgia provides evidence that the volume of the relevant category of products imported in excess of the volume in Annex II-C results from a change in the level of production and export capacity of Georgia. According to the Parties the trigger volumes have not been reached.

## **4 PROVISIONS ON TRADE IN SERVICES**

### **4.1 Scope and definitions**

4.1. Chapter 6, Articles 73-130 concern trade in services.

4.2. The objective, scope and coverage of Section 1 (general conditions) of Chapter 6 of the Agreement is described in Article 73 of the Agreement. The Chapter specifically excludes coverage of public procurement, subsidies and measures affecting natural persons seeking access to the employment market of a Party, and measures regarding citizenship, residence or employment on a permanent basis. Article 73.6 provides that nothing in the Chapter shall prevent a Party from

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<sup>10</sup> The products covered are: beef, pork and sheep meat; poultry meat; dairy products; eggs in shell; eggs and albumins; mushrooms; cereals; malt and wheat gluten; starches; sugars; and bran, sharps and other residues. The processed agricultural products cover: sweet corn; processed sugar; processed cereal; and cigarettes.



applying measures to regulate the entry of natural persons into or their temporary stay in its territory, provided that any such measures are not applied in a way that could nullify or impair the benefits accruing to any Party under the terms of a specific commitment made in the Chapter or Annex XI to the Agreement.

4.3. In Section 2 of Chapter 6 on establishment, Article 74 sets out the definitions; the Section applies to all measures adopted or maintained by the Parties affecting establishment in all economic activities, except: (a) mining, manufacturing and processing of nuclear materials, (b) production of or trade in arms, munitions and war material, (c) audio-visual services, (d) national maritime cabotage and (d) domestic and international air transport services, whether scheduled or non-scheduled and services directly related to the exercise of traffic rights, with some exceptions (Article 75).<sup>11</sup>

4.4. In Section 3 of Chapter 6 on cross-border supply of services, Article 80 sets out the scope of the Section which applies to all measures adopted or maintained by the Parties affecting cross-border supply in services except (a) audio-visual services, (b) national maritime cabotage and (c) domestic and international air transport services, whether scheduled or non-scheduled and services directly related to the exercise of traffic rights, with some exceptions.<sup>12</sup>

4.5. In Section 4 of Chapter 6 on temporary presence of natural persons for business purposes, Article 85 sets out its scope and definitions; the Section applies to measures of the Parties concerning the entry and temporary stay of key personnel, graduate trainees, business sellers, contractual service providers and independent professionals in accordance with Article 73.5 of the Agreement (Article 85.1).

4.6. Sub-Section 1, Section 5 of Chapter 6 on domestic regulation, sets out the disciplines relating to licencing or qualification requirements and procedures that affect cross-border supply of services, establishment and temporary stay of categories of natural persons, as defined in the Agreement.

## **4.2 Denial of benefits**

4.7. There is no denial of benefits clause as such, but the Agreement clarifies that juridical persons having only their registered office or central administration in a Party's territory shall not benefits from preferences granted by the Agreement, unless their operations possess "a real and continuous link" with the economy of, at least, one of the Parties (Article 74(d-e)).

## **4.3 General provisions on trade in services**

### **4.3.1 Market access**

4.8. Each Party shall accord services and service suppliers of the other Party treatment not less favourable than that provided for in their specific commitments in Annexes XI-B and XI-F to the Agreement (Article 81.1). In sectors where market access commitments are undertaken, the measures which a Party shall not maintain or adopt either on the basis of a regional sub-division or on the basis of its entire territory, unless otherwise specified in Annexes XI-B or XI-F to the Agreement are based on those in Article XVI of the GATS.

### **4.3.2 National and MFN treatment**

4.9. For the sectors inscribed in Annexes XI-B and XI-F (and conditions contained therein), each Party shall grant to services and service suppliers of the other Party, treatment no less favourable than it grants to its own like services and service suppliers in respect of all measures affecting cross-border trade in services (Article 82.1). A Party may comply with Article 82.1 by providing formally identical or formally different treatment to that it accords its own services and service suppliers (Article 82.2) which shall be considered to be less favourable if it modifies the conditions of

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<sup>11</sup> The reference is made to (i) aircraft repair and maintenance services during which an aircraft is withdrawn from service; (ii) the selling and marketing of air transport services; (iii) computer reservation system (CRS) services; (iv) ground-handling services; and (v) airport operation services (Article 75).

<sup>12</sup> The reference is made to (i) aircraft repair and maintenance services during which an aircraft is withdrawn from service; (ii) the selling and marketing of air transport services; (iii) computer reservation system (CRS) services; (iv) ground-handling services; and (v) airport operation services (Article 80).



competition in favour of services or service suppliers of the Party compared to like services or service suppliers of the other Party.

4.10. Article 76.1 provides that subject to any reservations set out in Annex XI-E to the Agreement, Georgia grants, upon entry into force of the Agreement, as regards the establishment and operation, once established, of subsidiaries, branches and representative offices, of juridical persons of the UK, treatment no less favourable than that accorded to its juridical persons or such persons of a third party, whichever is better.<sup>13</sup>

4.11. Article 76.2 creates corresponding obligations for the UK in respect of Georgian juridical persons for (a) establishment and (b) their operation, once established. In Article 76.3 the Parties agree that subject to reservations in Annexes XI-A and XI-E to the Agreement they cannot adopt any new regulations or measures which introduce discrimination as regards the establishment or operation of juridical persons on their territory.

#### **4.3.3 Commercial presence**

4.12. Section 2 of Chapter 6 (Articles 75-79) contains national and MFN treatment as well as standards of treatment for branches and representative offices under disciplines applicable to establishment. While the term "establishment" encompasses the notion of commercial presence (as defined under the GATS), it also goes further as it covers trade in goods-related establishment.

#### **4.3.4 Movement of natural persons**

4.13. Section 4 of Chapter 6 concerns the temporary presence of natural persons for business purposes subject to reservations in Annexes XI-A, XI-C, XI-E and XI-G. The period and qualification requirements for key personnel and graduate trainees are between 90 days in a 12 month period for business visitors and 3 years for intra-corporate transferees (graduate trainees get a one year period as intra-corporate transferees) (Article 86), business sellers – 90 days in a 12 month period (Article 87), contractual service suppliers (CSS) - 6 months in a 12 month period (Article 88), and independent professionals (IP) - 6 months in a 12 month period (Article 89).

4.14. For every sector in which there are establishment commitments, the Parties shall not maintain or adopt limitations either on the basis of a regional subdivision or its entire territory (unless otherwise specified in Annex XI-C and XI-G to the Agreement) on the total number of natural persons that an entrepreneur may employ as key personnel and graduate trainees in a specific sector in the form of numerical quotas, an economic needs test and as discriminatory conditions (Article 86.2).

4.15. Temporary entry of business sellers shall be permitted for all sectors committed under establishment or cross border supply of service provisions subject to any reservations contained in Annexes XI-A, XI-E, and Annexes XI-B and XI-F.

4.16. Reservations in Annexes XI-C and XI-G for key personnel, graduate trainees and business sellers indicate only economic activities liberalised pursuant to Sections 2 and 3 of Chapter 6 of Title IV of the Agreement for which limitations apply and are specified in respect of key personnel and graduate trainees (Article 86) and business sellers (Article 87). The Parties do not undertake any commitment for key personnel, graduate trainees and business sellers in economic activities which are not liberalised (which thus remain unbound).<sup>14</sup> Under the Agreement, for the UK, reservations on key personnel, graduate trainees and business sellers are listed, *inter alia*, in business services, maritime transport services and other services not included elsewhere (Annex XI-C). For Georgia, reservations apply for the supply of, *inter alia*, professional, communication, distribution, educational, financial, health related and social services, tourism and travel related services, recreational, cultural and sporting services, transport and other services not included elsewhere (Annex XI-G).

4.17. In Article 88.1 the Parties reaffirm their obligations arising from commitments under the GATS regarding the entry and temporary stay of CSS, subject to Article 88.2 (qualifications and

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<sup>13</sup> As regards the operation, once established, of subsidiaries, branches and representative offices, the obligation does not extend to the investment protection provisions not covered by Chapter 6, including provisions relating to investor-to-state dispute settlement procedures, as found in other agreements.

<sup>14</sup> See paragraphs 1 of Annex XI-C and XI-G.

employment). They allow the supply of services by IPs of the other Party, subject to the conditions in Article 89.2. The Parties' commitments on CSS and IP are limited by their reservations in Annexes XI-D (UK) and XI-H (Georgia). For the UK, the listed services sectors for CSS are broader than for IPs and include, in addition to certain professional, computer and other business services, site investigation work and environmental services. All listed sectors have "none" in the reservation column, except for computer and related services (CPC 84) which have an economic needs test for CSS and IPs. For Georgia, for CSS the listed reservations are mostly "none" and cover almost all sectors in the WTO Services Sectoral Classification list (MTN.GNS/W/120, hereinafter referred as "W/120"), but much of IP access is conditioned on a residency requirement or economic needs test and covers, *inter alia*, professional, computer and other business services.

#### 4.4 Liberalization commitments

4.18. The schedules of specific commitments for each Party are in Annex XI.<sup>15</sup>

4.19. In relation to establishment, the Parties' commitments follow a negative list approach. Per Article 76 of the Agreement, the Parties grant national and MFN treatment for the establishment and operation, once established, of the subsidiaries, branches and representative offices of juridical persons of each other subject to reservations listed in Annexes XI-A (UK) and XI-E (Georgia). For the cross-border supply of covered services sectors (modes of supply 1 and 2), the Parties' commitments follow a positive list approach. They grant market access and national treatment for services and services suppliers of each other subject to commitments as scheduled in Annexes XI-B (UK) and XI-F (Georgia).

4.20. The sections below compare the Parties' liberalization commitments under the Agreement and their respective GATS commitments. After recalling GATS MFN exemptions and identifying horizontal limitations in the GATS and in the Agreement, Tables 4.1 and 4.2 summarize specific commitments under the Agreement, by main sectors and sub-sectors and compare them with GATS commitments.

##### 4.4.1 The United Kingdom

###### 4.4.1.1 MFN and horizontal commitments

4.21. As yet, there is no certified UK Schedule of Specific Commitments; the proposed draft schedule of the UK GATS commitments has been circulated in document S/C/W/380 and Corr.1. The draft schedule contains full commitments for most sectors across modes 1, 2 and 3. Under the GATS the UK has scheduled horizontal market access exemptions for public utilities, and notes no restrictions on commercial presence for legal entities, investments, real estate purchases, although there are limitations on national treatment (for example subsidies). Mode 4 horizontal restrictions (noted above) concern intra-corporate transferees, business visitors, contractual service suppliers (including an exclusive list of contract activities). As noted above, under the Agreement the UK has listed reservations on the presence of natural persons in Annexes XI-C and XI-D.

4.22. In Annex XI-A on establishment the UK has set out horizontal restrictions. These concern the right to adopt or maintain any measure which accords differential treatment to a third party pursuant to an existing or future agreement which creates an internal market in services and investment, grants the right of establishment or requires approximation of legislation in one or more economic sectors. Similar to the GATS, the UK also has horizontal exemptions on public utilities and treatment of branches or agencies established in the UK by Georgian companies.

###### 4.4.1.2 Sector specific commitments

4.23. Table 4.1 below sets out the UK's commitments under the Agreement, compared to those under the GATS. As a result of the Agreement, service providers from Georgia enjoy similar market opportunities compared to those in the EU-Georgia Agreement, except for new reservations listed by the UK in communication and transport services. The agreement does not contain a market access

<sup>15</sup> The Annexes set out reservations on establishment (XI-A and XI-E); commitments on cross-border supply of services (XI-B and XI-F); reservations on key personnel, graduate trainees and business sellers (XI-C and XI-G); and reservations on contractual services suppliers and independent professionals (XI-D and XI-H).

obligation for establishment, and hence Table 4.1 compares the coverage of national treatment commitments under the Agreement to those under GATS for mode 3.

**Table 4.1 United Kingdom: comparison between the GATS and Agreement specific commitments in trade in services**

Sectors (CPC Classification)	GATS	FTA sectoral commitments, except as in Annex XI (horizontal reservations)			
		Establishment (Annex XI-A) Negative list		Cross-border supply in services (Annex XI-B) Positive list	
		Compared to GATS commitments	Commitments (from reservations)	Compared to GATS commitments	Commitments (based on sectoral coverage and limitations)
<b>1. Business services</b>					
A. Professional Services	Partial	Similar	Partial	Improved	Partial
B. Computer and Related Services	Full	Same	Full	Same	Full
C. Research and Development Services	Partial	Similar	Partial	Similar	Partial
D. Real Estate Services	Full	Same	Full	Same	Full
E. Rental/Leasing Services without Operators	Partial	Similar	Partial	Similar	Partial
F. Other Business Services	Partial	Improved	Partial	Improved	Partial
<b>2. Communication services</b>					
A. Postal services	---	New	Full	New	Partial
B. Courier services	---	New	Full	New	Partial
C. Telecommunication services	Partial	Same	Partial	Improved	Partial
D. Audiovisual services	---	Same	Excluded	Same	Excluded
E. Other	---	New	Full	---	---
<b>3. Construction and related engineering services</b>					
A. General construction work for buildings	Partial	Same	Full	Improved	Full
B. General construction work for civil Engineering	Partial	Same	Full	Improved	Full
C. Installation and assembly work	Partial	Same	Full	Improved	Full
D. Building completion and finishing work	Partial	Same	Full	Improved	Full
E. Other	Partial	Same	Full	Improved	Full
<b>4. Distribution services</b>					
A. Commission agents' services	Partial	Similar	Partial	Similar	Partial
B. Wholesale trade services	Partial	Similar	Partial	Similar	Partial
C. Retailing services	Partial	Narrower	Partial	Similar	Partial
D. Franchising	Partial	Similar	Partial	Similar	Partial
E. Other	---	New	Partial	Similar	---
<b>5. Education services</b>					
A. Primary education services	Partial	Narrower	Partial	Same	Partial
B. Secondary education services	Partial	Narrower	Partial	Same	Partial
C. Higher education services	Partial	Narrower	Partial	Same	Partial
D. Adult education	Partial	Narrower	Partial	Same	Partial
E. Other education services	---	Same	---	Same	---
<b>6. Environmental services</b>					
A. Sewage services	Partial	Narrower	Partial	Improved	Partial
B. Refuse disposal services	Partial	Narrower	Partial	Improved	Partial
C. Sanitation and similar services	Partial	Narrower	Partial	Improved	Partial
D. Other	Partial	Narrower	Partial	Improved	Partial
<b>7. Financial services</b>					
A. All insurance and insurance-related services	Partial	Same	Full	Similar	Partial
B. Banking and other financial services	Partial	Similar	Partial	Similar	Partial
C. Other	---	Improved	Partial	Same	---
<b>8. Health related and social services</b>					
A. Hospital services	Partial	Narrower	Partial	Narrower	Partial
B. Other Human Health Services	---	Same	---	New	Partial
C. Social Services	Partial	Narrower	Partial	Improved	Partial
D. Other	---	Same	---	Same	---
<b>9. Tourism and travel related services</b>					
A. Hotels and restaurants (including catering)	Partial	Improved	Partial	Improved	Partial
B. Travel agencies and tour operators services	Full	Same	Full	Same	Full
C. Tourist guides services	Full	Same	Full	Same	Full
D. Other	---	New	Full	Same	---
<b>10. Recreational and cultural and sporting services</b>					
A. Entertainment services	Partial	Same	Full	Same	Partial
B. News agency services	Full	Same	Full	Same	Full
C. Libraries, archives, museums and other cultural services	---	Same	---	Same	---
D. Sporting and other recreational services	Partial	Improved	Partial	Same	Partial
E. Other	---	New	Full	Same	Same

Sectors (CPC Classification)	GATS	FTA sectoral commitments, except as in Annex XI (horizontal reservations)			
		Establishment (Annex XI-A) Negative list		Cross-border supply in services (Annex XI-B) Positive list	
		Compared to GATS commitments	Commitments (from reservations)	Compared to GATS commitments	Commitments (based on sectoral coverage and limitations)
<b>11. Transport services</b>					
A. Maritime Transport Services	---	New	Partial	New	Partial
B. Internal Waterways Transport	---	New	Partial	New	Partial
C. Air Transport Services	Partial	Similar	Partial	Improved	Partial
D. Space Transport	---	Same	---	Same	---
E. Rail Transport Services	Partial	Improved	Full	Improved	Partial
F. Road Transport Services	Partial	Similar	Partial	Improved	Partial
G. Pipeline Transport	---	Same	---	Same	---
H. Services auxiliary to all modes of transport	Partial	Improved	Partial	Improved	Partial
I. Other Transport Services	Partial	Improved	Full	Improved	Partial
<b>12. Other services not included elsewhere</b>	---	New	Full	New	Partial

General Note: MFN and Horizontal limitations, as well as Mode 4 commitments/limitations excluded.

Full: Specific commitments not subject to market access or national treatment limitation(s) under any of the three modes.

Partial: Specific commitments subject to some market access or national treatment limitation(s), under any of the three modes.

---: No specific commitment.

New: New commitments (full or partial, with or without limitations) which can, in most cases, be seen as "improved".

Improved: Overall improved commitments under the Agreement compared to those under the GATS.

Similar: Similar commitments with limited improvements and/or limited additional reservations.

Excluded: Sector or sub-sector excluded from coverage, or full reservation under the Agreement.

Narrower: Some additional limitations (as compared to GATS commitments).

Source: The United Kingdom GATS specific commitments (S/C/W/380) and its liberalization commitments under Annex XI-A and XI-B to the Agreement.

#### 4.4.1.2.1 Business services<sup>16</sup>

4.24. The UK generally improves its GATS commitments in business services sector. Under its GATS commitments for professional services, the UK has no limitations on market access and national treatment for legal services, although this is limited to home country and public international law. Under the Agreement, the UK lists national and MFN treatment reservations for establishment for the supply of legal advisory and legal documentations and certification services, as well as a requirement for a full admission to the Bar to practice domestic law. As under the GATS, auditing services are unbound for mode 1, while the scope of taxation advisory services (CPC 863) is limited by the definition: excluding representation in Court/tribunals. Under the Agreement, the UK improves its GATS commitments for veterinary services in respect of mode 1.

4.25. For computer and related services, the UK's commitments under the Agreement, as under the GATS, cover the whole sector with no limitations on market access or national treatment for the cross-border supply of services and no national treatment reservations for establishment.

4.26. For research and development services, which are limited to R&D services in social sciences and humanities (CPC 852) under the GATS, some reservations for establishment apply for publicly funded R&D services under the Agreement. Real estate services are fully committed under the GATS and the Agreement, across modes 1-3. For rental/leasing services without operators, the UK generally maintains its GATS commitments under the Agreement with similar reservations applied for modes 2-3 for the supply of services relating to aircraft. In other business services, similar to the GATS, the UK undertakes partial commitments under the Agreement, with no national and MFN treatment obligations for services of domestic help personnel, other commercial or industrial workers, nursing and other personnel; and investigation services, while new partial commitments are made for establishment for consultancy services related to pipeline transportation.

<sup>16</sup> Specific provisions for computer services are described in section 4.6.1 below.

#### **4.4.1.2.2 Communication services<sup>17</sup>**

4.27. Under the GATS the UK has not undertaken commitments on postal, courier or other communication services. Under the Agreement, the UK partially liberalizes postal and courier services, and broadens its GATS commitments in telecommunication services by undertaking new partial commitments in modes 1 and 2 for the supply of satellite broadcast transmission services. As under the GATS, broadcasting is excluded from the scope of the UK's commitments in telecommunications services. In comparison to the EU-Georgia Agreement, a reservation in telecommunication services is introduced for establishment under Annex XI-A, which is however similar to the UK's GATS commitments.

#### **4.4.1.2.3 Construction and related services**

4.28. The UK improves its GATS commitments in construction and related services under the Agreement, by liberalizing their supply through modes 1 and 2, with no reservations for establishment.

#### **4.4.1.2.4 Distribution services**

4.29. In distribution services, under the GATS, the UK excludes from the scope of its commitments trade in arms, chemical products, explosives and precious metals, while under the Agreement distribution of arms, munitions and explosives are broadly reserved for the supply of services via modes 1 and 2, and for establishment; other war materials are also reserved, but only for modes 1 and 2. Under the Agreement<sup>18</sup>, commission agents' and wholesale trade<sup>19</sup> services are largely liberalized with modes 1 and 2 remaining unbound for distribution of chemical products and of precious metals and stones; retailing services, as under the GATS, remain unbound for mode 1, except for mail order. For establishment, nationality condition and residency requirement apply to operate a pharmacy and as a tobacconist.

#### **4.4.1.2.5 Education services**

4.30. As under the GATS, there are no market access or national treatment limitations for the supply through modes 1 and 2 of privately-funded primary, secondary, higher and adult educational services under the Agreement, while broad reservation applies for the establishment in publicly funded educational services. Unlike under the GATS, with respect to privately funded education services, for establishment nationality conditions may apply for majority members of the Board. As under the GATS, the UK does not schedule commitments in other education services sub-sector.

#### **4.4.1.2.6 Environmental services**

4.31. Under the Agreement, the UK improves its GATS commitments in environmental services by liberalizing the supply of related consultancy services through mode 1 and undertaking new commitments in noise and vibration abatement (CPC 9405). For establishment, unlike under the GATS, the UK has a broad national and MFN treatment reservation in respect of the provision of services relating to the collection, purification and distribution of water to household, industrial, commercial or other users, including the provision of drinking water, and water management.

#### **4.4.1.2.7 Financial services<sup>20</sup>**

4.32. Under the GATS, the UK takes commitments in financial services in accordance with the provisions of the "Understanding on Commitments in Financial Services" ("the Understanding"). Market access commitments in modes 1 and 2 apply only to the transactions indicated in paragraphs B.3 and B.4 of the market access section of the Understanding, respectively; also, a specific legal

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<sup>17</sup> Specific provisions for postal and courier services, and electronic communication networks and services are described in sections 4.6.2 and 4.6.3 below.

<sup>18</sup> Under the Agreement, the UK's commitments in modes 1 and 2 follow a different classification approach to W/120 or in its GATS commitments.

<sup>19</sup> Certain wholesale services related to energy distribution are scheduled by the UK in section 14, Annex XI-A to the Agreement.

<sup>20</sup> Specific provisions for financial services are described in section 4.6.4 below.

form might be required. In banking and other financial services, modes 2 and 3 are subject to a number of reservations, in particular regarding forms of establishment.

4.33. Under the Agreement, certain limitations apply for the supply of direct insurance, direct insurance intermediation and intermediation services through modes 1 and 2. In banking and other financial services, some reservations apply for mode 1, while for establishment registration requirements and branching restrictions still apply.

#### **4.4.1.2.8 Health related and social services**

4.34. Under the GATS, the UK has partial liberalization commitments in hospital and social (only convalescent and rest houses, old people's homes) services. While maintaining its broad reservation for mode 1, the UK makes new commitments in residential health facilities services other than hospital services (CPC 93193) and in social services (CPC 933), which apply, however, only to privately-funded health related and social services under the Agreement. Regarding establishment, national and MFN treatment reservations apply to publicly funded health and social services, as well as privately funded other human health services; social services other than services related to convalescent and rest houses, old people's homes; ambulance services or residential health services other than hospital services.

#### **4.4.1.2.9 Tourism and related services**

4.35. Under the Agreement, the UK broadens the scope of its GATS commitments in hotel, restaurants and catering, with no reservations for the whole sector on establishment. For cross-border supply of services, the same conditions as under the GATS apply to market access and national treatment.

#### **4.4.1.2.10 Recreational, cultural and sporting services**

4.36. The UK generally maintains its GATS commitments in recreational, cultural and sporting services sector with no commitments made in libraries, archives, museum and other cultural services and sporting and betting. As under the GATS, the supply of entertainment services through mode 1 remains unbound. Since no reservations for establishment are made for other recreational, cultural and sporting services under the Agreement, it might be seen as an improvement of the UK's commitments in this sector in comparison to the GATS.

#### **4.4.1.2.11 Transport Services<sup>21</sup>**

4.37. Compared to the GATS, the UK undertakes new partial commitments in maritime and internal waterways transport services and broadens the scope of its commitments in air, rail and road transport, and in cargo-handling and other services auxiliary to all modes of transport. As under the GATS no commitments are made in space transport services.

#### **4.4.1.2.12 Other services not included elsewhere**

4.38. Compared to the GATS, the UK makes new partial commitments for cross-border supply in a number of other services not included elsewhere, with no reservations for establishment for the whole sector.

### **4.4.2 Georgia**

#### **4.4.2.1 MFN and horizontal commitments**

4.39. In its GATS schedule, Georgia scheduled commitments in a large number of sectors, making full commitments in some of them, though mode 4, other than in horizontal commitments, remains largely "unbound". Under the GATS Georgia has scheduled horizontal market access exemptions in relation to privatization and mode 4 for persons responsible for establishment of a commercial presence, salespersons and intra corporate transferees. Under national treatment Georgia has horizontal reservations on subsidies (modes 1, 2 and 3), and real estate (mode 3). Its other

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<sup>21</sup> Specific provisions for transport services are described further in this factual presentation.



horizontal reservation under the GATS refers to movement of natural persons (mode 4) and is addressed in the Agreement through Section 4 of Chapter 6 and through Annexes XI-G and XI-H.

4.40. Georgia's MFN exemptions under the Agreement are set out under horizontal limitations in Annex XI-E on establishment in connection with subsidies, privatization and real estate. As the UK, Georgia reserves the right to adopt or maintain any measure which accords differential treatment to a third party pursuant to an existing or future agreement which creates an internal market in services and investment, grants the right of establishment or requires approximation of legislation in one or more economic sectors.

#### 4.4.2.2 Sector specific commitments

4.41. The following section identifies some of the main differences, by sector, between Georgia's GATS schedule and its sector-specific commitments under the Agreement. It should also be read in conjunction with Annexes XI-E and XI-F of the Agreement.

**Table 4.2 Georgia: comparison between the GATS and Agreement specific commitments in trade in services**

Sectors (CPC Classification)	GATS	FTA sectoral commitments, except as indicated in Annex XI (horizontal reservations)			
		Establishment (Annex XI-E) Negative list		Cross-border supply in services (Annex XI-F) Positive list	
		Compared to GATS commitments	Commitments (from reservations)	Compared to GATS commitments	Commitments (based on sectoral coverage and limitations)
<b>1. Business services</b>					
A. Professional Services	Partial	Same	Partial	Same	Partial
B. Computer and Related Services	Full	Same	Full	Same	Full
C. Research and Development Services	Full	Same	Full	Same	Full
D. Real Estate Services	Full	Same	Full	Same	Full
E. Rental/Leasing Services without Operators	Partial	Similar	Partial	Partial	Partial
F. Other Business Services	Partial	Similar	Partial	Similar	Partial
<b>2. Communication services</b>					
A. Postal services	----	Same	---	Same	---
B. Courier services	Full	Same	Full	Same	Full
C. Telecommunication services	Full	Same	Full	Same	Full
D. Audiovisual services	Partial	Narrower	Excluded	Narrower	Excluded
<b>3. Construction and related engineering services</b>					
A. General construction work for buildings	Partial	Same	Partial	Improved	Full
B. General construction work for civil Engineering	Partial	Same	Partial	Improved	Full
C. Installation and assembly work	Partial	Same	Partial	Improved	Full
D. Building completion and finishing work	Partial	Same	Partial	Improved	Full
E. Other	Partial	Same	Partial	Improved	Full
<b>4. Distribution services</b>					
A. Commission agents' services	Full	Same	Full	Same	Full
B. Wholesale trade services	Full	Same	Full	Same	Full
C. Retailing services	Full	Same	Full	Same	Full
D. Franchising	Full	Same	Full	Same	Full
E. Other	----	Same	----	Same	----
<b>5. Education services</b>					
A. Primary education services	Full	Same	Full	Same	Full
B. Secondary education services	Partial	Same	Partial	Same	Full
C. Higher education services	Partial	Same	Partial	Same	Full
D. Adult education	Full	Same	Full	Same	Full
E. Other education services	----	Same	----	Same	----
<b>6. Environmental services</b>					
A. Sewage services	Partial	Same	Full	Same	Partial
B. Refuse disposal services	Partial	Same	Full	Same	Partial
C. Sanitation and similar services	Partial	Same	Full	Same	Partial
D. Other	Partial	Same	Full	Same	Partial
<b>7. Financial services</b>					
A. All insurance and insurance-related services	Partial	Same	Full	Same	Partial
B. Banking and other financial services	Full	Same	Full	Same	Full
C. Other	---	Same	---	Same	---
<b>8. Health related and social services</b>					
A. Hospital services	Partial	Similar	Partial	Same	Full
B. Other Human Health Services	Partial	Similar	Partial	Same	Full

Sectors (CPC Classification)	GATS	FTA sectoral commitments, except as indicated in Annex XI (horizontal reservations)			
		Establishment (Annex XI-E) Negative list		Cross-border supply in services (Annex XI-F) Positive list	
		Compared to GATS commitments	Commitments (from reservations)	Compared to GATS commitments	Commitments (based on sectoral coverage and limitations)
C. Social Services	Full	Same	Full	Same	Full
D. Other	---	Same	---	Same	---
<b>9. Tourism and travel related services</b>					
A. Hotels and restaurants (including catering)	Partial	Same	Full	Same	Partial
B. Travel agencies and tour operators services	Full	Same	Full	Same	Full
C. Tourist guides services	Full	Same	Full	Same	Full
D. Other	---	Same	---	Same	---
<b>10. Recreational and cultural and sporting services</b>					
A. Entertainment services	Full	Same	Full	Same	Full
B. News agency services	Full	Same	Full	Same	Full
C. Libraries, archives, museums and other cultural services	Full	Same	Full	Same	Full
D. Sporting and other recreational services	Full	Same	Full	Same	Full
E. Other	---	Same	---	Same	---
<b>11. Transport services</b>					
A. Maritime Transport Services	Partial	Improved	Partial	Improved	Partial
B. Internal Waterways Transport	---	New	Full	New	Full
C. Air Transport Services	Partial	Improved	Partial	Improved	Partial
D. Space Transport	---	New	Full	Same	---
E. Rail Transport Services	Partial	Same	Partial	Same	Partial
F. Road Transport Services	Partial	Similar	Partial	Improved	Partial
G. Pipeline Transport	---	Same	---	Same	---
H. Services auxiliary to all modes of transport	Partial	Improved	Full	Same	Partial
I. Other Transport Services	---	Same	---	Same	---
<b>12. Other services not included elsewhere</b>					
	---	Same	---	Same	---

General Note: MFN and Horizontal limitations, as well as Mode 4 commitments/limitations excluded.

Full: Specific commitments not subject to market access or national treatment limitation(s) under any of the three modes.

Partial: Specific commitments subject to some market access or national treatment limitation(s), under any of the three modes.

---: No specific commitment.

New: New commitments (full or partial, with or without limitations) which can, in most cases, be seen as "improved".

Improved: Overall improved commitments under the Agreement compared to those under the GATS.

Similar: Similar commitments with limited improvements and/or limited additional reservations.

Excluded: Sector or sub-sector excluded from coverage, or full reservation under the Agreement.

Source: Georgia's Schedule of Specific Commitments (GATS/SC/129), and Annexes XI-E and XI-F to the Agreement.

#### 4.4.2.2.1 Business services<sup>22</sup>

4.42. Georgia's commitments under the Agreement are similar to those under the GATS, though as noted above the horizontal limitations on the purchase of real estate remain.

#### 4.4.2.2.2 Communication services<sup>23</sup>

4.43. Georgia's commitments are improved, as compared to its GATS commitments, through full commitments for telecommunication services, including for establishment. As audio-visual services are excluded from the Agreement, Georgia makes no commitments in this subsector, in contrast to its GATS commitments.

<sup>22</sup> Specific provisions on computer services are described in section 4.6.1 below.

<sup>23</sup> Specific provisions on postal and courier services, and electronic communication networks and services are described in sections 4.6.2 and 4.6.3 below.



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#### **4.4.2.2.3 Construction and related engineering services; Distribution services; Educational services; Environmental services; and Tourism and travel related services; Recreational, cultural and sporting services; Other services not included elsewhere**

4.44. Under the Agreement, Georgia maintains its GATS commitments for the supply of construction and related engineering, distribution, educational, environmental, tourism, recreational, cultural and sporting and other services not included elsewhere.

#### **4.4.2.2.4 Financial services<sup>24</sup>**

4.45. Georgia has full mode 3 commitments (broader than in the GATS), except "other financial services", where Georgia has a no market access or national treatment reservation.

#### **4.4.2.2.5 Health related and social services**

4.46. Full commitments are made in the sector, with a reservation for the Georgian language for doctors working in Georgia.<sup>25</sup> Under the GATS, there are no commitments for "other health related and social services".

#### **4.4.2.2.6 Recreational, cultural and sporting services**

4.47. Except for entertainment services, which are only partly covered, under the Agreement and the GATS, full commitments are made in the rest of the sector under both the Agreement and the GATS, except for mode 3 where under the Agreement Georgia has a limitation of no national treatment or MFN obligations for other recreational, cultural sporting services.

#### **4.4.2.2.7 Transport services<sup>26</sup>**

4.48. Under the GATS Georgia has partial commitments which are improved under the Agreement. However, for air transport services and as compared to Georgia's GATS commitments, coverage is expanded in the Agreement through the inclusion of ground-handling services and airport operation services, for which commitments are made without restriction.

### **4.5 Regulatory provisions**

#### **4.5.1 Domestic regulation**

4.49. Section 5 of Chapter 6 concerns the regulatory framework, and sub-section 1, Articles 90-92 set out disciplines on domestic regulation as affecting (a) cross border supply of services, (b) establishment of juridical and natural persons, and (c) temporary stay of natural persons as defined in Article 85.2 of the Agreement. Article 90.2 states that the disciplines on domestic regulation only apply to sectors for which the Party has taken specific commitments (regarding the cross-border supply of services) and do not apply to sectors with reservations (for establishment and temporary stay of natural persons). Per Article 90.3, the disciplines do not apply to measures to the extent that they constitute limitations under relevant Annexes to the Agreement.

4.50. Each Party shall ensure that measures relating to licencing requirements and procedures, qualification requirements and procedures are based on criteria which preclude the competent authorities from exercising their power of assessment in an arbitrary manner. The criteria must be (a) proportionate to a public policy objective, (b) clear and unambiguous, (c) objective, (d) preestablished, (e) made public in advance, and (f) be transparent and accessible (Article 91.2). Articles 91.3-6 set out additional requirements for the issuing of licences, review of decisions, numerical limits on licences and public policy objectives.

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<sup>24</sup> Specific provisions on financial services are described in section 4.6.4 below.

<sup>25</sup> Under Georgia's GATS commitments the health related and social services sector is subject to a specific headnote limitation: "The knowledge of Georgian language (the State language) is obligatory for pharmacists, who works in Georgia".

<sup>26</sup> Specific provisions on transport services are described in section 4.6.5 below.

4.51. Article 92 requires that licensing and qualification procedures be clear, made public in advance and be such as to provide the applicants with a guarantee that their application will be dealt with objectively and impartially. Licensing and qualification procedures and formalities shall be as simple as possible and shall not unduly complicate or delay the provision of the service. Any fees arising from the application should be reasonable and proportionate to the cost of the authorization procedures in question. Other requirements for licensing and qualification procedures are set out in Articles 92.3-9.

#### **4.5.2 Recognition**

4.52. Each Party shall encourage its relevant professional bodies to provide recommendations on mutual recognition to the Strategic Partnership and Cooperation Forum in Trade configuration, for the purpose of the fulfilment, , by entrepreneurs and service suppliers for the authorization, licensing, operation and certification of entrepreneurs and service suppliers, and, in particular, professional services. The Strategic Partnership and Cooperation Forum in Trade configuration shall, within a reasonable time, review the recommendation with a view to determine whether it is consistent with the Agreement and assess (a) the extent to which standards and criteria applied by each Party for authorization, licences, operation and certification of services providers and entrepreneurs are converging and (b) the potential economic value of a mutual recognition agreement. When these requirements are satisfied it shall establish the necessary steps to negotiate and thereafter the Parties shall enter into negotiations, through their competent authorities, of a mutual recognition agreement Per Article 93.5, any such agreement shall be in conformity with Article VII of the GATS.

#### **4.5.3 Subsidies**

4.53. Article 198.1 defines a subsidy as a measure which fulfils the conditions of Article 1 of the SCM Agreement, irrespective of whether it is granted for the production of goods or the supply of services and which is specific within the meaning of Article 2 of the Agreement. The Parties agree to provide information to the other Party upon request and respond to questions pertaining to particular subsidies in relation to the supply of services (Article 198.3).

#### **4.5.4 Safeguards**

4.54. The Agreement does not contain specific provisions on safeguards in services, however it provides certain security and general exemptions similar to those in the GATS.

#### **4.5.5 Other**

##### **4.5.5.1 Investment**

4.55. Investment (establishment) under Chapter 6 covers establishment in sectors that relate to goods as well as services (Section 4.1 above).

##### **4.5.5.2 Monopolies and exclusive service suppliers**

4.56. Monopolies and exclusive service suppliers are addressed in Chapter 10 (competition) in Section 5.9.3 below.

#### **4.6 Sector specific provisions on trade in services**

##### **4.6.1 Computer services**

4.57. Sub-section 3 of Section 5 of Chapter 6 of the Agreement concerns computer services (Article 95 (Understanding on Computer Services)). To the extent that computer services are liberalized in accordance with section 2 (establishment), section 3 (cross-border supply of services) and section 4 (temporary presence of natural persons for business purposes) of the Chapter, the Parties shall comply with Articles 95.2, 95.3 and 95.4.

#### 4.6.2 Postal and courier services

4.58. Articles 96 to 99 set out the principles of the regulatory framework for all postal and courier services in which the Parties have commitments in accordance with Sections 2, 3 and 4 of Chapter 6 of the Agreement. The provisions cover, *inter alia*, the prevention of anti-competitive practices in the postal and courier services sector, universal service, individual licences, and independence of regulatory bodies.

#### 4.6.3 Electronic communication networks and services

4.59. Sub-section 5 of Chapter 6 sets out the principles of the regulatory framework for all electronic communication services<sup>27</sup> liberalized, pursuant to Sections 2, 3 and 4 of Chapter 6 of the Agreement (establishment, cross-border supply of services and temporary presence of natural persons for business purposes, respectively). It builds on certain aspects of the 1996 Reference paper of the WTO Negotiating Group on Basic Telecommunications and includes, besides definitions, provisions on regulatory authorities; authorization to provide electronic communication services; access and interconnection; allocation and use of scarce resources, universal service; cross-border provision of electronic communication services; confidentiality of information; and dispute resolution between suppliers of electronic communication networks or services.

#### 4.6.4 Financial Services

4.60. Sub-section 6 of Chapter 6 establishes the principles of the regulatory framework for all financial services in which the Parties have commitments pursuant to Sections 2, 3 and 4 of Chapter 6 of the Agreement. It contains provisions on prudential carve-out; effective and transparent regulation<sup>28</sup>; new financial services<sup>29</sup>; data processing; specific exceptions; self-regulatory organizations; and clearing and payment systems. With a view to considering further liberalisation of trade in services, the Parties recognise the importance of the gradual alignment of Georgia's existing and future legislation to the international best practices standards listed under Article 111(3) of the Agreement (Article 117).

#### 4.6.5 Transport services

4.61. Sub-section 7 of Chapter 6 sets out the principles for certain transport services (in particular international maritime transport and some air transport services) in which the Parties have commitments pursuant to Sections 2, 3 and 4 of Chapter 6 of the Agreement.

4.62. For international maritime transport (Article 119), each Party agrees to ensure effective application of the principle of unrestricted access to cargoes on a commercial basis, the freedom to provide international maritime services, as well as national treatment for the provision of such services. The Parties shall not introduce cargo-sharing arrangements in future agreements with third countries in maritime transport services and terminate, within a reasonable period of time, cargo-sharing arrangements in case they exist in previous agreements. As reported by the Parties, there are no cargo-sharing arrangements in place and none that are yet to be terminated. Moreover, upon the entry into force of the Agreement, the Parties shall abolish and abstain from introducing any unilateral measures and administrative, technical and other obstacles which could constitute a disguised restriction or have discriminatory effects on the free supply of services in international maritime transport. National and MFN treatment shall be granted for establishment by international maritime transport service suppliers of the other Party. A number of services at the port is to be made available without discrimination to operators of the other Party. Movement of equipment between ports of the Parties shall be permitted.

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<sup>27</sup> Defined as all services which consist wholly or mainly in the conveyance of signals on electronic communication networks, including telecommunication services and transmission services in networks used for broadcasting. Those services exclude services providing, or exercising editorial control over, content transmitted using electronic communication networks and services (Article 100.2(a)).

<sup>28</sup> Article 111.3 lists internationally agreed standards which the Parties shall use their best endeavours to implement and apply in their territory.

<sup>29</sup> A Party may determine the institutional and juridical form through which the new financial service may be supplied and may require authorization for the supply of such service (Article 112).

4.63. Article 120 on air transport provides that the Parties shall work towards an agreement or arrangement governing air services between Georgia and the UK. As reported by the Parties, the UK signed a new ASA with Georgia on 26 January 2023.

## **5 GENERAL PROVISIONS OF THE AGREEMENT**

### **5.1 Transparency**

5.1. In addition to the specific transparency rules in other parts of the Agreement, and without prejudice to any of them, Chapter 12 of Title IV lists requirements for publication of measures of general application; the designation of contact points acting as coordinators to facilitate communication between the Parties; principles pertaining to the administration of measures of general application; review and appeal of administrative actions relating to matters covered under Title IV; and regulatory quality and performance and good administrative behaviour.

### **5.2 Current payments and capital movements**

5.2. In Chapter 7 (current payments and movement of capital) of Title IV the Parties undertake to authorise, in freely convertible currency, in accordance with the provisions of Article VIII of the Agreement of the International Monetary Fund, any payments and transfers on the current account of the balance of payments between the Parties (Article 131).

5.3. The Parties shall ensure the free movement of capital relating to direct investments, including the acquisition of real estate, made in accordance with the laws of the host country, investments made in accordance with the provisions of Chapter 6 (establishment, trade in services and electronic commerce) and the liquidation or repatriation of invested capital and of any profit stemming therefrom (Article 132). With regard to other transactions on the capital and financial account of the balance of payments, each Party shall ensure, without prejudice to other provisions of the Agreement, the free movement of capital relating to credits for commercial transactions or for the provision of services in which a resident of one of the Parties is participating; and the free movement of capital relating to portfolio investments, financial loans and credits by the investors of the other Party.

5.4. Article 134 provides that consultations shall take place between the Parties on ways to facilitate the movement of capital between them to promote the objectives of the Agreement.

### **5.3 Exceptions**

#### **5.3.1 General exceptions**

5.5. Under Article 32 (section 4 of Chapter 1 of Title IV) nothing in Chapter 1 (National Treatment and Market Access for Goods) shall be construed to prevent the adoption or enforcement by any Party of measures in accordance with Articles XX and XXI of GATT 1994 and any relevant interpretative notes to those Articles under GATT 1994, which are hereby incorporated into the Agreement and made an integral part thereof. In relation to establishment and trade in services, Section 7 of Chapter 6 of Title IV sets out exceptions (without prejudice to the general exceptions set out in Article 357) that is based on Article XIV of the GATS and Article XX of the GATT 1994, with an additional exception for the protecting public security. Article 128 is applicable to the Parties' reservations on establishment, commitments on cross-border trade in services, reservations on key personnel, graduate trainees and business sellers, and reservations on contractual services suppliers and independent professionals. Moreover, Article 128.3 establishes a carve-out for the Parties' respective social security systems or to activities in the territory of each Party which are connected, even occasionally, with the exercise of official authority.

#### **5.3.2 Security exceptions**

5.6. Article 130 (security exception (on establishment and trade in services)) reflects, though is not identical to, the provisions of Article XXI of GATT 1994 and the provisions of Article XIV**bis** of GATS. Moreover, under Title VII (institutional, general and final provisions), Article 357 replicates most of the security exception in Article XXI of GATT 1994, in Article XIV**bis** of the GATS, and of Article 73

of the TRIPS Agreement. None of these provisions mention actions in pursuance of the Parties' obligations under the UN Charter for the maintenance of international peace and security.

### **5.3.3 Taxation**

5.7. In addition to the general exception for measures inconsistent with Articles 76 and 82 provided that the difference in treatment is ensuring the effective or equitable imposition or collection of direct taxes in respect of economic activities, entrepreneurs or services suppliers of the other Party, Article 129 establishes that the MFN treatment granted in accordance with Chapter 6 (establishment, trade in services and electronic commerce) shall not apply (i) to the treatment granted under measures providing for recognition of qualifications, licences, or prudential measures in accordance with Article VII of the GATS or the GATS Annex on Financial Services; and (ii) to the tax treatment granted under any international agreement or arrangement relating wholly or mainly to taxation. While the Agreement confirms the principle of non-discrimination, this is without prejudice to the right of the Parties to apply the relevant provisions of their fiscal legislation to taxpayers who are not in identical situations as regards their place of residence (Article 358).

### **5.3.4 Safeguard measures related to balance of payment (BOP) difficulties**

5.8. Where, in exceptional circumstances, payments and capital movements cause, or threaten to cause, serious difficulties for the operation of exchange rate or monetary policy in either of the Parties, that Party may adopt safeguard measures for a period not exceeding six months if such measures are strictly necessary (Article 133).

### **5.4 Accession and Withdrawal**

5.9. The Agreement applies for an indefinite period (Article 364.1). Any Party may withdraw from it through written notification. The Agreement shall terminate six months following the notification (Article 364.2).

### **5.5 Institutional framework of the Agreement**

5.10. The Agreement establishes a Strategic Partnership and Cooperation Forum to supervise and monitor the application and implementation of the Agreement (Article 353). Under the Strategic Partnership and Cooperation Forum, the Parties agree to hold a regular political and strategic dialogue at a mutually agreed level and frequency (Article 352). Provisions under Article 354 (3) require for this Dialogue to meet at least once per year in Trade Configuration to address all issues related to Title IV of the agreement. The sub-committees established under Title IV of the Agreement shall inform the Strategic Partnership and Cooperation Forum in Trade Configuration of their activities and report on them at each regular meeting.

### **5.6 Dispute settlement**

5.11. Article 360, under Title VIII of the Agreement, establishes a mechanism for the settlement of disputes arising between the Parties concerning the interpretation, implementation, or good faith application of the Agreement. Disputes concerning the interpretation, implementation, or the application in good faith of Title IV (Trade and Trade-Related matters) of the Agreement are governed by Chapter 14 of Title IV (Article 237).

5.12. The provisions in Chapter 14 of the Agreement are without prejudice to the rights and obligations of the Parties pursuant to the WTO Agreement, including the dispute settlement proceedings (Article 260.1). The procedures in Chapter 14 also provide for the choice of dispute settlement forum under the WTO or under the Agreement at the discretion of the complaining Party (Article 260.2). When a Party has requested the establishment of a panel under Article 6 of the WTO Dispute Settlement Understanding or an arbitration panel pursuant to Article 240 of the Agreement, with regard to a particular measure or seek to redress of an obligation identical under this Agreement and the WTO Agreement, that Party may not initiate another proceeding in the other forum, except when the forum selected first fails for procedural or jurisdictional reasons to make findings on the claim. Chapter 14 does not prevent a Party from suspending benefits if authorized by the Dispute Settlement Body of the WTO and the WTO Agreement should not be invoked to prevent a Party from suspending benefits under Chapter 14 (Article 260.4).

### **5.6.1 Consultations and mediation**

5.13. Under Article 238 (Consultations) the Parties shall endeavour to resolve any dispute by entering into consultations in good faith with the aim of reaching a mutually agreed solution, under rules set out in that Article. Any Party to the Agreement may request the other Party to enter into a mediation procedure with respect to any measure adversely affecting its trade interests pursuant to Annex XV to the Agreement (Article 239).

### **5.6.2 Arbitration procedures**

5.14. If consultations under Article 238 have failed to resolve the matter, the Party that sought consultations may request the establishment of an arbitration panel, to be made in writing to the other Party and the Strategic Partnership and Cooperation Forum in Trade configuration (Article 240.2). If a Party so requests, the arbitration panel must give a preliminary ruling on whether it deems the case to be urgent within 10 days of its establishment (Article 242). Under Article 241.7, shorter time limits are provided for in cases of urgency for trade-related energy disputes under Chapter 11 (Trade-related energy). The rules of procedure for dispute settlement are contained in Annex XVI to the Agreement.

5.15. An interim report is notified to the Parties by the arbitration panel no later than 90 days after the date of establishment of the panel (for cases of urgency, every effort shall be made to notify interim reports within 45 days, and not later than 60 days) (Article 243.1). The final ruling shall be notified within 120 days (and no later than 150 days) (Article 245).

5.16. The Party complained against shall take any measure necessary to comply promptly and in good faith with the arbitration panel ruling (Article 246). If there is disagreement between the Parties on the reasonable period of time to comply with the panel ruling, the original arbitration panel may be requested to determine the length of the reasonable time period (Article 247).

5.17. In case of non-compliance (Article 249), the complaining Party may request the Party complained to present an offer for temporary compensation; or notify the Party complained against and the Strategic Partnership and Cooperation Forum in Trade Configuration of its intention to suspend concessions or obligations to a level equivalent to the nullification or impairment caused by the violation. The suspension may be implemented after the expiry of ten days after the Party complained against has received notification. The level of the suspension may be challenged by the Party complained against by the original arbitration panel. The compensation or the suspension of benefits are temporary. The Party complained against may, at any time, following an agreement on compensation or a suspension of benefits, notify the adoption of a measure to comply with the panel ruling. The suspension of benefits or the application of compensation must be terminated within 30 days following such notification unless the complaining Party disagrees that the notified measure brings the Party complained against in compliance with the provisions of the Agreement. In such a case, the complaining Party must ask the original arbitration panel to rule on the matter (Article 251).

5.18. A special procedure for disputes concerning Chapter 11 (Trade-related Energy), is provided for in Article 250.

## **5.7 Relationship with other agreements concluded by the Parties**

5.19. The Agreement does not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier traffic except insofar as they conflict with trade arrangements under the Agreement (Article 35).

5.20. In addition to the EU-Georgia Agreement, to which the Agreement adds continuity, Table 5.1 below shows the Parties' RTAs, notified and non-notified, other than the Agreement.



**Table 5.1 United Kingdom and Georgia: Participation in other RTAs (notified and non-notified in force), as of 21 August 2023**

RTA Name	Entry into force <sup>a</sup>	Coverage	GATT/WTO Notification	
			Year	WTO Provision
<b>UNITED KINGDOM</b>				
United Kingdom – Australia	31-May-23	Goods & Services	2023	GATT Art. XXIV & GATS Art. V
United Kingdom – New Zealand	31-May-23	Goods & Services	2023	GATT Art. XXIV & GATS Art. V
United Kingdom – Iceland, Liechtenstein and Norway	01-Dec-21	Goods & Services	2021	GATT Art. XXIV & GATS Art. V
United Kingdom – Mexico	01-Jun-21	Goods & Services	2021	GATT Art. XXIV & GATS Art. V
United Kingdom - Serbia	20-May-21	Goods & Services	2021	GATT Art. XXIV & GATS Art. V
United Kingdom - Albania	03-May-21	Goods & Services	2021	GATT Art. XXIV & GATS Art. V
United Kingdom - Jordan	01-May-21	Goods	2021	GATT Art. XXIV
United Kingdom - Ghana	05-Mar-21	Goods	2021	GATT Art. XXIV
European Union - United Kingdom	01-Jan-21	Goods & Services	2021	GATT Art. XXIV & GATS Art. V
United Kingdom - Cameroon	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Canada	01-Jan-21	Goods	2020	GATT Art. XXIV
	01-Apr-21	Services	2021	GATS Art. V
United Kingdom - CARIFORUM States	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Central America	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom – Chile	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom – Colombia, Ecuador and Peru	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Côte d'Ivoire	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Eastern and Southern Africa States	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Egypt	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Faroe Islands	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Israel	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Japan	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Kenya	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Kosovo <sup>b</sup>	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Lebanon	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Morocco	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - North Macedonia	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Pacific States	01-Jan-21	Goods	2020	GATT Art. XXIV
• <i>United Kingdom - Pacific States - Accession of Samoa</i>	01-Jan-21	Goods	2020	GATT Art. XXIV
• <i>United Kingdom - Pacific States - Accession of Solomon Islands</i>	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Palestine	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Republic of Korea	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Republic of Moldova	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - SACU and Mozambique	01-Jan-21	Goods	2021	GATT Art. XXIV
United Kingdom – Singapore	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Switzerland - Liechtenstein	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Tunisia	01-Jan-21	Goods	2020	GATT Art. XXIV
United Kingdom - Türkiye	01-Jan-21	Goods	2020	GATT Art. XXIV

RTA Name	Entry into force <sup>a</sup>	Coverage	GATT/WTO Notification	
			Year	WTO Provision
United Kingdom - Ukraine	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
United Kingdom - Viet Nam	01-Jan-21	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
<b>GEORGIA</b>				
Hong Kong, China - Georgia	13-Feb-19	Goods & Services	2019	GATT Art. XXIV & GATS Art. V
China - Georgia	01-Jan-18	Goods & Services	2018	GATT Art. XXIV & GATS Art. V
EFTA - Georgia	01-Sep-17	Goods & Services	2017	GATT Art. XXIV & GATS Art. V
EU - Georgia	01-Sep-14	Goods & Services	2014	GATT Art. XXIV & GATS Art. V
Türkiye - Georgia	01-Nov-08	Goods	2009	GATT Art. XXIV
GUAM	10-Dec-03	Goods & Services	2017	GATT Art. XXIV & GATS Art. V
Georgia - Turkmenistan	01-Jan-00	Goods	2001	GATT Art. XXIV
Georgia - Kazakhstan	16-Jul-99	Goods	2001	GATT Art. XXIV
Georgia - Armenia	11-Nov-98	Goods	2001	GATT Art. XXIV
Georgia - Azerbaijan	10-Jul-96	Goods	2001	GATT Art. XXIV
Georgia - Ukraine	04-Jun-96	Goods	2001	GATT Art. XXIV
Commonwealth of Independent States (CIS)	30-Dec-94	Goods	1999	GATT Art. XXIV
Georgia - Russian Federation	10-May-94	Goods	2001	GATT Art. XXIV
Georgia - Uzbekistan	15-Oct-10	Goods	Not notified	

a Dates of the first entry into force/provisional application for at least one of the Parties.

b Reference to Kosovo in this table shall be understood to be in the context of the United Nations Security Council resolution 1244 (1999).

Source: WTO Secretariat. Further information on these Agreements and on specific dates of entry into force/provisional applications may be found in the WTO Database on RTAs: <http://rtais.wto.org>.

## 5.8 Government procurement

5.21. Chapter 8 of Title IV of the Agreement contains rules applicable to government procurement. They envisage mutual access to public procurement markets on the basis of national treatment at national, regional and local level for public contracts and concessions in the public sector as well as in the utilities sector. Chapter 8 applies to contracts above value thresholds set out in Annex XII-A to the Agreement. The value of the thresholds shall be revised regularly every two years (Article 136.5). The Parties indicate they have not been revised to date.

5.22. The UK is a Party to the plurilateral government procurement agreement (GPA), concluded under the auspices of the WTO, while Georgia is an observer. As a result, the Agreement's provisions on government procurement improve legal certainty in relation to market access for the Parties for procurement of goods and services covered by Annex XVI-A. The UK commitments under the Agreement largely correspond to those it made under the GPA, with similar thresholds as under the GPA.<sup>30</sup> From 1 September 2022 the time limits for full implementation of the committed market access in public procurement under the Agreement have expired (the final applied to service and works contracts in the utilities sector).

5.23. The basic standards regulating the award of contracts, as listed in Article 138, cover publication; award of contracts; and judicial protection. The main features of an appropriate institutional framework and mechanism necessary for the proper functioning of the public procurement system and the implementation of the provisions of Chapter 8 of Title IV are in Article 137.

5.24. Each Party shall ensure that contracting entities and economic operators are appropriately informed about public procurement procedures; ensure the effective dissemination of information

<sup>30</sup> Minor differences in thresholds arise due to the thresholds under Annex XII-A being expressed in EUR whereas the UK GPA commitments are expressed in SDR and GBP.



on tendering opportunities (Article 140), and cooperation between the Parties concerning a better understanding of their respective government procurement systems is governed by Article 141 and Annex XII-C to the Agreement which include a list of issues for cooperation in respect of Georgia only.

## 5.9 Intellectual property rights

5.25. Chapter 9 of Title IV of the Agreement (Articles 142-194) concerns intellectual property rights (IPRs). As a general principle, the Parties are to ensure the adequate and effective implementation of the international agreements dealing with intellectual property (IP) to which they are parties, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) (Article 143). The provisions of Chapter 9 shall complement and further specify the rights and obligations between the Parties under the TRIPS Agreement and other international IP agreements (Article 143(1)). Under the Agreement, protection of IP includes protection against unfair competition as referred to in Article 10*bis* of the Paris Convention for the Protection of Industrial Property of 1967 (Article 143.3).

5.26. Each Party provides for their own regime for exhaustion of IPRs, subject to the TRIPS Agreement (Article 144).

5.27. On copyright and related rights (Articles 145-156), the Parties reaffirm their commitment to relevant international IP agreements (Article 145).<sup>31</sup> The Agreement provides exclusive rights to authors (Article 146); performers (Article 147); producers of phonograms (Article 148); and broadcasting organisations (Article 149), including for broadcasting and communication to the public for performers and phonogram producers (Article 150). The rights of authors of a literary or artistic work shall run for the life of the author plus 70 years after his/her death, while the term of protection for performers shall expire no less than 50 years from the date of the performance, or 70 years in case the performance is fixed in a phonogram. The rights of broadcasting organisations shall expire no less than 50 years after the first transmission of a broadcast. The Agreement also contains disciplines on the protection of technological measures (Article 152); the protection of rights management information (Article 153); and artist's resale right of an original work of art<sup>32</sup> (Article 155), while exceptions and limitations to the rights set out in Articles 146 to 151 of the Agreement are covered in Article 154. A best endeavour clause on cooperation regarding collective management of rights (Article 156) is included.

5.28. On trademarks (Articles 157-160), the Parties reaffirm their commitment to relevant international agreements.<sup>33</sup> Procedures for the registration of trademarks (Article 158) and the protection of well-known marks (Article 159) are also covered, while exceptions to the rights conferred by a trademark are provided in Article (160).

5.29. On geographical indications (GIs) (Articles 161-171), the Parties agree the scope of protection (Article 164); their right of use (Article 166); the enforcement of protection (Article 167); and the relationship with trademarks (Article 168). In accordance with Article 171, the Geographical Indications Sub-committee met on 12 January 2023. Annex XIII-A to the Agreement lists the elements for registration and control of GIs. In Article 162(1) the UK confirms that the Law of Georgia on appellations of origin and Geographical Indications of Goods adopted on 22 August 1999 meets the elements laid down in Annex XIII-A. In Article 162(2), Georgia confirms that several EEC and EC Council Regulations<sup>34</sup> meet the elements in Annex XIII-A. Annex XIII-B identifies the criteria to be included in the objection procedure for products referred to in Article 163(1). Each Party agrees

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<sup>31</sup> The Berne Convention for the Protection of Literary and Artistic Works; the Rome Convention for the Protection of Performers; Producers of Phonograms and Broadcasting Organizations; the TRIPS Agreement; the WIPO Copyright Treaty; and the WIPO Performance and Phonograms Treaty.

<sup>32</sup> The right of authors' to receive a royalty for the resale of an original work shall apply to all acts of resale involving as sellers, buyers or intermediaries art market professionals, such as salesrooms, art galleries and, in general, any dealers in works of art (Article 155(2)).

<sup>33</sup> the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, and the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Article 157).

<sup>34</sup> Council Regulation (EEC) No 1601/91 of 10 June 1991; Council Regulation (EC) No 510/2006 of 20 March 2006; Section I of Chapter I of Title II of Part II of Council Regulation (EC) No 1234/2007 of 22 October 2007; and Regulation (EC) No 110/2008 of the European Parliament and of the Council of 15 January 2008.

to protect registered GIs<sup>35</sup> of the other Party for agricultural products and foodstuffs, as listed in Annex XIII-C, and for wines, aromatized wines and spirit drinks, as listed in Annex XIII-D (Article 162 Cooperation and transparency relating to the implementation and the functioning of Articles 161-171 is addressed in Article 170 and a Geographical Indications Sub-Committee is established under Article 171.

5.30. On designs (Articles 172-175), the Parties reaffirm their commitment to the Geneva Act to the Hague Agreement Concerning the International Registration of Industrial Designs (1999) (Article 172). The Parties agree to the protection of registered designs<sup>36</sup> (Article 173); exceptions and exclusions to the protection of designs (Article 174); and the relationship to copyright (Article 175).

5.31. On patents (Articles 176-181), the Parties reaffirm their commitment to the WIPO Patent Cooperation Treaty (Article 176). The Parties recognise the importance of the Declaration of the Ministerial Conference of the WTO on the TRIPS Agreement and Public Health (2001) and of the related Decision of the WTO General Council of (2003) d (Article 177). The Agreement provides for an administrative authorisation procedure for medicinal and plant protection products protected by a patent (Article 178) as well as for the protection of data submitted to obtain an authorization to put medicinal and plant protection products on the market (Articles 179-180). Moreover, the Parties shall protect plant varieties rights, in accordance with the International Convention for the Protection of New Varieties of Plants (Article 181).

5.32. On the enforcement of IPR (Articles 182-194), the Agreement establishes modalities for civil enforcement (Articles 184-191) and disciplines on border measures (Article 192). It also encourages the development, by trade or professional associations or organizations, of codes of conduct aimed at contributing towards the enforcement of IPRs (Article 193) and defines areas of cooperation between the Parties with a view to supporting the implementation of the commitments and obligations undertaken under Chapter 9 (Article 194).

### 5.9.1 Competition

5.33. In addition to competition provisions under various Chapters, under Chapter 10 each Party is to maintain in its respective territory comprehensive competition laws which effectively address anti-competitive agreements, concerted practices and anti-competitive unilateral conduct of enterprises with dominant market power and provide effective control of concentrations (Article 196); an authority is to be maintained by each Party to enforce competition laws. While nothing in the Chapter prevents a Party from designating or maintaining State monopolies, State enterprises and enterprises entrusted with special or exclusive rights, they shall be subject to the Parties' competition laws (Article 197). Article 198 requires that the parties ensure transparency in relation to subsidies (per Articles 1 and 2 of the SCM) and shall report every two years (including on a publicly accessible website) to each other on the legal basis, the form, the amount or the budget, and where possible, the recipient of the subsidy in relation to the production of goods. Information on particular subsidies relating to the supply of services shall be provided promptly upon request by the other Party. The Parties provide information on subsidies through their notifications under Article 25.1 of the WTO SCM Agreement. The UK also provides this information online.<sup>37</sup>

5.34. Chapter 14's dispute settlement mechanism does not apply to Articles 195, 196 and 197 of the Agreement. Article 200 provides that the provisions of the Chapter are without prejudice to the rights and obligations of a Party under the WTO Agreement in particular the SCM Agreement and the DSU. When exchanging information under this Chapter the Parties shall take into account the limitations imposed by the requirements of professional and business secrecy in their respective jurisdictions (Article 201).

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<sup>35</sup> The lists may be complemented with new GIs to be protected after the Parties have completed the objection procedure.

<sup>36</sup> The duration of protection shall amount to 25 years from the date of filing of the application for registration.

<sup>37</sup> Through the following website: <https://searchforuksubsidies.beis.gov.uk/>.

## 5.9.2 Sustainable development

5.35. Chapter 13 on trade and sustainable development recognizes the right of each Party to determine its sustainable development policies and priorities, to establish its own levels of domestic environmental and labour protection (Article 220), and to adopt or modify accordingly its relevant law and policies, consistently with their commitments to multilaterally recognized labour standards and agreements<sup>38</sup> (Article 221) and environmental agreements (Article 222). The Parties also reconfirm their commitment to enhance the contribution of trade to sustainable development in its economic, social and environmental dimension and, *inter alia*, agree that they shall strive to facilitate and promote trade and investment in environmental goods and services (Article 223). Chapter 13 also covers topics such as: biological diversity (Article 224)<sup>39</sup>, sustainable management of forests and trade in forest products (Article 225) as well as the conservation and management of fish stocks (Article 226).

5.36. Under Article 227, a Party shall not waive or derogate from its environmental or labour law as an encouragement for trade or the establishment, the acquisition, the expansion or the retention of an investment of an investor in its territory. Moreover, a Party shall not, through a sustained or recurring course of action or inaction, fail to effectively enforce its environmental and labour laws, as an encouragement for trade or investment. Article 228 addresses the importance of scientific information when preparing and implementing sustainable development related measures, and expressly permits the Parties to use the precautionary principle. Article 229 concerns transparency requirements related to measures aimed at protecting the environment or labour conditions. Article 230 creates an obligation for the Parties for reviewing, monitoring and assessing the impact of the implementation of Title IV on sustainable development through participative processes and institutions. An indicative list of areas of cooperation between the Parties is provided in Article 231.

5.37. Besides the designation of contact points, the Parties establish a Trade and Sustainable Development Sub-Committee to oversee the implementation of Chapter 13. Moreover, domestic advisory groups on sustainable development shall be convened (Article 232.4). The Parties shall also facilitate a joint forum with civil society organizations established in their territories (Article 233). The Chapter also establishes a dedicated mechanism for dealing with any matter arising under Chapter 13. This foresees recourse to government consultations, including through the Trade and Sustainable Development Sub-Committee, (Article 234) and upon request of either Party, to the establishment of a Panel of Experts under the modalities in Article 235.

## 5.10 Electronic commerce

5.38. Provisions on electronic commerce in section 6 of Chapter 6 of Title IV define electronic transmission as the provision of services, within the meaning of Section 3 (cross-border supply of services) of the Chapter, which cannot be subject to customs duties. The Parties also agree that the development of electronic commerce must be compatible with international data protection standards, to ensure the confidence of users of electronic commerce. They commit to maintain a dialogue on regulatory issues on electronic commerce.

5.39. Recognizing that the services of intermediaries can be used by third parties for infringing activities, the Parties shall provide measures that are set out in Sub-section 2 of Section 6, Chapter 6 and which cover the liability of intermediary service providers for certain types of services ("mere conduit", "caching", and "hosting"). In that regard, the Parties shall not impose a general obligation on a provider, when providing such services, to monitor the information which they transmit or store, nor shall they impose a general obligation to actively seek facts or circumstances indicating illegal activity. They may nevertheless establish obligations for information society service providers to promptly inform the competent public authorities of alleged illegal activities or information provided by recipients of their services or obligations to communicate to the competent authorities,

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<sup>38</sup> In relation to multilateral labour standards and agreements (Article 221), the Agreement refers to the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up of 1998 and the fundamental ILO conventions. In relation to multilateral environmental governance and agreements (Article 222), the Agreement refers to all multilateral environmental agreements (MEAs) to which the Parties are party, specifically mentioning the UN Framework Convention on Climate Change and its Kyoto Protocol.

<sup>39</sup> In relation to biological diversity (Article 224), the Agreement refers to the Convention on Biological Diversity, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and other relevant international instruments to which the Parties are party.

at their request, information enabling the identification of recipients of their service with whom they have storage agreements (Article 127.2).

### **5.11 Small and medium sized enterprises**

5.40. The Parties shall develop and strengthen their cooperation on innovation and industrial and enterprise policy, thereby improving the business environment for all business operators but in particular for SMEs (Article 292). They shall cooperate to implement policies for SME development including a focus on startup and craft enterprises; create better framework conditions through the exchange of information and good practices; simplify and rationalize regulation and regulatory practices; encourage the development of innovation policy through exchange of information and good practices on the commercialization of research and development; encourage greater contacts between UK and Georgian businesses and with the authorities and export promotion between the Parties (Article 293). Article 294 envisages a regular dialogue between the Parties on these issues including with business representatives.

### **5.12 Others**

#### **5.12.1 Trade-related energy**

5.41. Chapter 11 (Article 202-210) contains disciplines on trade-related energy<sup>40</sup>, covering transit consistent with the Parties commitments under the GATT 1994 and the Energy Charter Treaty (Article 203); unauthorized taking of goods in transit (Article 204); uninterrupted transit (Article 205), transit obligation for operators (Article 206); regulatory authorities (Article 207); organization of markets (Article 208); access to energy transport facilities (Article 209); and Georgia's relationship with the energy community treaty (Article 210). Article 210 (relationship with the Energy Community Treaty) does not apply to the UK.

#### **5.12.2 Economic and other sectoral cooperation**

5.42. Title V of the Agreement addresses areas of cooperation agreed between the Parties. While not falling under Trade and Trade-related Matters (Title IV) the Parties agree to facilitate economic reform including by ensuring sound macroeconomic policies and cooperation on other issues.<sup>41</sup>

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<sup>40</sup> "Energy goods" covered are crude oil (HS27.09), natural gas (HS 27.11) and electrical energy (HS 27.16).

<sup>41</sup> They include management of public finances and financial control; taxation; statistics; as well as transport; energy cooperation; environment; climate action; industrial and enterprise policy and mining; company law, accounting and auditing and corporate governance; financial services; cooperation in the field of information society; tourism; agriculture and rural development; fisheries and maritime governance; cooperation in research, technological development and demonstration; consumer policy; employment, social policy and equal opportunities; public health; education, training and youth; cooperation in the cultural field; cooperation in the audio-visual and media fields; cooperation in the field of sport and physical activity; civil society cooperation; regional development and regional level cooperation; and civil protection.

## ANNEX 1

1. Tables A1.1 and A1.2 below show tariff liberalization respectively by the UK and Georgia by total, agricultural and industrial products. In 2021 the UK's applied MFN tariff rate was 3.8% overall, (2.5% for industrial products, and considerably higher at 8.9% for agricultural products). 47% of the tariff was duty free on an MFN basis; 57.1% of industrial, and 18.8% of agricultural products were duty free on an MFN basis. Under the Agreement, in 2021 the overall applied tariff for imports from Georgia fell to 0.001% and to zero and 0.003% respectively for industrial and agricultural products. As a result, Georgian exporters enjoyed a relative preference of 99.9% overall and 100% and 99.9% for industrial and agricultural products respectively. Nearly 100% of goods imported from Georgia will enter the UK duty free. In 2021 Georgia's overall applied MFN tariff was 1.9%, and respectively 0.7% and 5.6% for industrial and agricultural products. 80.5% of the tariff was duty free, with 92.4% and 46.6% of industrial and agricultural tariffs being duty free. Under the Agreement all remaining tariffs were eliminated for imports from the UK.

**Table A1.1 UK: Indicators of MFN tariff rates and preferential rates for imports from Georgia**

Origin of goods	Year	ALL PRODUCTS			HS Chapters 01-24			HS Chapters 25-97		
		Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)
		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)	
MFN	2021	3.8	7.8	47.0	8.9	12.0	18.8	2.5	5.8	57.1
<b>Georgia</b>	<b>2021</b>	<b>0.001</b>	<b>8.0</b>	<b>100.0</b>	<b>0.003</b>	<b>8.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>

Note: Tariff lines subject to in-quota rates are excluded in the computation. For the calculation of averages, specific rates are excluded, and the *ad valorem* part of alternate rates are included.

For the tariff lines subject to seasonal duties, the average rate for the entire year is used for the calculation. The products classified beyond the HS 8-digit level are counted once and their tariff rates are averaged to the 8-digit level.

Source: WTO estimates based on data from the UK.

**Table A1.2 Georgia: Indicators of MFN tariff rates and preferential rates for imports from the UK**

Origin of goods	Year	ALL PRODUCTS			HS chapters 1-24			HS Chapters 25-97		
		Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)
		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)	
MFN	2021	1.9	11.2	80.5	5.6	11.5	46.6	0.7	10.5	92.4
UK	2021	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0

Note: For the calculation of averages, specific rates are excluded. Based on the HS 2017 nomenclature.

Source: WTO estimates based on data provided by Georgia authorities.

2. Table A1.3 below gives an indication of additional market access in the UK for Georgia's top 25 exports. In 2018-20 Georgia's top 25 exports to the UK were covered by 150 tariff lines at the HS six-digit level and accounted for 72.1% of Georgia's global exports. Of these, 42 lines were duty free on an MFN basis. Under the Agreement all remaining 108 lines became duty free for imports from the UK.

**Table A1.3 UK: Market access opportunities under the Agreement for Georgia's top 25 exports to the world**

Georgia's top export products in 2018 - 20		Access Conditions to UK's markets					
HS number and description		Share in global exports (%)	MFN 2021			No. of duty free lines under the agreement	Remain Dutiable
			Average Tariff (%)	No. of duty-free lines	No. of dutiable lines	2021	
260300	Copper ores and concentrates	18.4	0.0	1			
720230	Ferro-silico-manganese	8.5	0.0	1			
870323	Motor cars and other motor vehicles	8.0	10.0		3	3	
220421	Wine of fresh grapes	5.9	0.0		58	58	
300490	Medicaments	3.5	0.0	1			
220110	Mineral waters and aerated waters	3.5	0.0	3			
220820	Spirits obtained by distilling grape wine or grape marc	3.1	0.0	12			
310230	Ammonium nitrate	2.4	6.3		2	2	
710813	Gold	2.3	0.0	2			
240220	Cigarettes	2.2	30.0		2	2	
870324	Motor cars and other motor vehicles	2.1	10.0		2	2	
870333	Motor cars and other motor vehicles	2.0	10.0		3	3	
080222	Fresh or dried hazelnuts or filberts	1.8	2.0		1	1	
870322	Motor cars and other motor vehicles	1.1	10.0		2	2	
610990	T-shirts, singlets and other vests of textile materials	0.9	12.0		2	2	
870340	Motor cars and other motor vehicles	0.9	10.0		2	2	
220210	Waters	0.8	8.0		1	1	
010229	Live cattle	0.8	9.2	1	11	11	
271019	Medium oils and preparations	0.6	1.2	12	13	13	
720711	Semi-finished products of iron or non-alloy steel	0.6	0.0	4			
740400	Waste and scrap, of copper	0.6	0.0	3			
870421	Motor vehicles for the transport of goods	0.6	8.4		5	5	
283711	Sodium cyanide	0.6	0.0	1			
401110	New pneumatic tyres, of rubber	0.5	4.0		1	1	
901839	Needles, catheters, cannulae and the like, used in medical, surgical, dental or veterinary sciences	0.5	0.0	1			
<b>Total of above</b>		<b>72.1</b>	<b>5.2</b>	<b>42</b>	<b>108</b>	<b>108</b>	<b>-</b>

Note: Tariff lines subject to in-quota rates are excluded in the computation. For the calculation of averages, specific rates are excluded, and the *ad valorem* part of alternate rates are included. For the tariff lines subject to seasonal duties, the average rate for the entire year is used for the calculation. The products classified beyond the HS 8-digit level are counted once and their tariff rates are averaged to the 8-digit level.

Source: WTO estimates based on data provided by UK and UNSD Comtrade Database.



3. Table A1.4 below gives an indication of additional market access in Georgia for the UK's top 25 exports. In 2018-20 the UK's top 25 exports to Georgia were covered by 111 tariff lines at the six-digit level and accounted for 27.6% of the EU's global exports during 2011-2013. Of these, 73 lines were already duty free on an MFN basis. Under the Agreement all remaining 38 lines became duty free for imports from the UK.

**Table A1.4 Georgia: Market access opportunities under the agreement for the UK's top 25 exports to the world**

United Kingdom's top export products in 2018-2020		Access Conditions to Georgia's import markets					Duty Free under the Agreement (2021)	Remain dutiable
HS number and description of the product		Share in global exports (%)	MFN 2021		Duty Free under the Agreement (2021)	Remain dutiable		
			Avg. MFN applied rate (%)	Number of lines				
				Duty-free	dutiable			
710813	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes	5.6	0.0	2				
270900	Petroleum oils and oils obtained from bituminous minerals, crude	4.9	0.0	2				
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes,	3.2	0.0	1				
880330	Parts of aeroplanes or helicopters, n.e.s.	2.9	0.0	2				
841112	Turbojets of a thrust > 25 kn	2.6	0.0	4				
870323	Motor cars and other motor vehicles principally designed for the transport of <10 persons, of a cylinder capacity > 1.500 cm <sup>3</sup> but <= 3.000 cm <sup>3</sup>	2.4	*		7	7		
841191	Parts of turbojets or turbopropellers, n.e.s.	2.1	0.0	2				
870324	Motor cars and other motor vehicles principally designed for the transport of <10 persons, of a cylinder capacity > 3.000 cm <sup>3</sup>	1.7	*		4	4		
220830	Whiskies	1.3	*		10	10		
271012	Light oils and preparations	1.3	0.0	12				
970110	Paintings, e.g. oil paintings, watercolours and pastels, and drawings executed entirely by hand	1.3	0.0	1				
870322	Motor cars and other motor vehicles principally designed for the transport of <10 persons, of a cylinder capacity > 1.000 cm <sup>3</sup> but <= 1.500 cm <sup>3</sup>	1.2	*		4	4		
711319	Articles of jewellery and parts thereof, of precious metal other than silver	1.0	12.0		1	1		
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s.	1.0	0.0	25				
870332	Motor cars and other motor vehicles principally designed for the transport of <10 persons, of a cylinder capacity > 1.500 cm <sup>3</sup> but <= 2.500 cm <sup>3</sup>	0.7	*		5	5		
300220	Vaccines for human medicine	0.6	0.0	1				
870340	Motor cars and other motor vehicles principally designed for the transport of <10 persons, of a cylinder capacity > 1.500 cm <sup>3</sup> but <= 2.500 cm <sup>3</sup>	0.6	*		2	2		
711021	Palladium, unwrought or in powder form	0.6	0.0	1				
300215	Immunological products, for retail sale	0.6	0.0	1				

United Kingdom's top export products in 2018-2020		Access Conditions to Georgia's import markets					Duty Free under the Agreement (2021)	Remain dutiable
HS number and description of the product		Share in global exports (%)	MFN 2021		Duty Free under the Agreement (2021)	Remain dutiable		
			Avg. MFN applied rate (%)	Number of lines				
				Duty-free	duti-able			
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data	0.6	0.0	1				
382200	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents	0.5	0.0	1				
490199	Printed books, brochures and similar printed matter	0.5	0.0	1				
870333	Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, with only diesel engine of a cylinder capacity > 2.500 cm <sup>3</sup>	0.5	*		5	5		
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	0.4	0.0	13				
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	0.4	0.0	3				
<b>Total of above</b>		<b>38.4</b>		<b>73</b>	<b>38</b>	<b>38</b>	<b>-</b>	

\* Contains non-*ad valorem* duties.

Note: For the calculation of averages, specific rates are excluded. Based on the HS 2017 nomenclature.

Source: WTO estimates based on data from Georgia and the UK authorities.



**ANNEX 2**

1. Table A2.1 below indicates the tariff lines covered by the UK's tariff quotas applied to Georgian imports.

**Table A2.1 Tariff rate quotas applied by the United Kingdom to Georgia's imports**

TRQs/Product's HS Codes	Tariff rates under the Agreement		MFN Rates
	In-quota	Out-of-quota	
<b>TRQ1: Garlic (30 tonnes)</b>			
07032000*	0%	MFN	8% + 100 GBP / 100 kg

\* Tariff lines also subject to MFN TRQs.

Source: Based on data provided by the UK.