



TRADE POLICY REVIEW

REPORT BY

GEORGIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Georgia is attached.

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1 INTRODUCTION

1.1. Trade liberalization continues to be one of the key objectives on Georgia's economic policy agenda. In the reporting period Georgia undertook a number of reform initiatives targeted at streamlining, liberalization and simplification of trade regulations and their implementation.

1.2. As a result of reforms carried out by the Government of Georgia (GoG), today Georgia pursues one of the most liberal foreign trade policies in the world that implies facilitated foreign trade regime and customs procedures, low import tariffs and minimal non-tariff regulations.

1.3. The basic objectives of Georgia's trade policy are defined as follows:

- Integration into the world economy, including the implementation of WTO membership obligations and obligations under other international agreements;
- Trade policy liberalization, including simplification of export and import procedures and tariff and non-tariff regulation;
- Diversification of trade relations by establishing preferential regimes with main trade and regional partner countries;
- Enhancement of transparency in the policy-making process.

1.4. The reforms implemented during the last years have contributed to the creation of competitive market conditions and a business enabling environment. Additionally, these reforms have diversified international trade and Georgia's economic ties, thus generating growth and development.

1.5. By undertaking numerous economic reform initiatives and ensuring a strong legal system to protect investor rights, Georgia has positioned itself as an attractive destination for foreign direct investment. The government's priorities are now focused on further improving investment climate and strengthening investor confidence to attract more foreign investment and boost economic growth.

1.6. The objectives of trade and investment policies are well reflected in the socio-economic development strategy "Georgia 2020", which outlines the social and economic development priorities and targets over the period 2014-2020. The main goal is to create foundations for long-term inclusive economic growth and improve the welfare of the population.

1.7. The guiding principle of the country's strategy for economic development is establishing the necessary conditions for a free private sector operating under an optimal, efficient and transparent government. This means the establishment of an economy in which the private sector will be free to make its own decisions, in which the supremacy of property rights will be guaranteed, and in which the private sector will be the main driving force behind economic development. Free market relations will be combined with optimal model of state regulations.

2 RECENT ECONOMIC DEVELOPMENTS AND REFORMS

2.1 Macroeconomic Overview

2.1. Georgia's economic performance for the period 2009-2014 has a positive trend for growth, averaging nearly 4% annually. In 2014 GDP real growth reached 4.8%. The largest sectors by share of GDP were trade (17.4%), industry (17.1%), transport and communication (10.5%), public administration (9.9%), agriculture (9.2%), construction (7.3%), and real estate (6.0%). Fastest growing sectors were construction (13.5%), financial intermediation (10.0%), real estate (8.5%), communication (7.1%), transport (6.4%), and trade (6.1%).

2.2. In 2014, real growth of industry (in GDP) amounted to 42.8% compared to 2009 and amounted to GEL 3.2 billion (in constant prices), up from GEL 2.2 billion in 2009. In this period turnover of industry almost doubled (growth by 104.2%) and amounted to GEL 9 billion. Mining and quarrying, grew by 82% - from GEL 196,6 million in 2009 up to GEL 357,8 million in 2014.

Significant growth - by 255.8% was indicated in mining of coal and reached GEL 36,3 million in 2014, up from GEL 10,2 million in 2009.

2.3. Upward tendency was indicated also in manufacturing sector. Turnover of manufacturing sector grew by 130.3% and reached GEL 6.7 billion in 2014, up from GEL 2.9 billion in 2009. In this period, turnover of leather manufacturing grew more than four-fold (by 345%) and amounted to GEL 17,4 million in 2014, up from GEL 3,9 million in 2009. Significant growth was indicated also in manufacturing of machinery and equipment (by 271.2%), rubber and plastic products (by 158.7%), textiles and textile goods (by 152.2%), food products, beverages and tobacco (by 147.7%), electrical machinery and optical instruments (by 127.7%), metals and metal products (by 119.7%), chemical production (by 103.6%) and paper (by 83.5%), etc.

2.4. Construction is also one of the fastest growing sectors in Georgian economy. In 2009-2014, real growth of construction (in GDP) amounted to 30.3% and amounted to GEL 1.2 million (in constant prices), up from GEL 916.6 million in 2009. Turnover of construction sector in this period increased more than 119% and amounted to GEL 3.8 billion, up from GEL 1.7 billion in 2009.

2.5. The total volume of foreign direct investments in 2009-2014 amounted to US\$6,202 million. In 2009-2014 the largest share of FDI, 43% (US\$2,678 million) came from EU countries, 15% (US\$ 951 million) from CIS countries and 38% (US\$2,377 million) from other countries.

2.6. FDI had a share of 7.7% of GDP in 2014. Sectors that attracted the highest shares of investment were transport and communication (25%), construction (18%), manufacturing (12%), energy sector (11%), real estate (8%), hotels and restaurants (7%).

2.7. Due to the reforms carried out by the Government of Georgia in 2009-2014, the barriers to foreign trade decreased, resulting in increased volumes of export and import flows. The average annual growth rate of trade turnover in 2009-2014 constituted 9%.

2.8. In 2009-2014, imports grew at an average rate of 7% and reached US\$ 8,593.3 million in 2014. Main import products are petroleum oils and gases, motor cars, medicines and different machinery. In the same period export grew at an average rate of 9% and reached US\$ 2,860.7 million in 2014. Traditionally, the main export products of Georgia have been agricultural products (mineral waters, wine, nuts, and citrus). The structure of Georgia's export has changed in recent years and besides agricultural products is constituted of ferroalloys, copper ores, fertilizers, gold and etc.

2.9. Turkey is now Georgia's top trade partner, followed by Azerbaijan, Russia, China and Ukraine. As a result of the lifting of Russian embargo on Georgian exports, in May 2013 trade between the two countries increased substantially. In 2014 Russia was 3rd among the top 10 trade partners.

2.10. The share of EU countries in Georgia's total trade turnover has been increasing year by year and amounted US\$ 2,990 million and 26% of the total turnover in 2014. Among the top ten trade partners there are two EU members: Germany and Bulgaria.

2.11. In 2014, current account deficit to GDP amounted to 10.4% and equalled US\$1,745 million. The deficit is mainly conditioned by a negative balance in trade in goods, while trade in services is positive. In 2009-2014 positive balance of services increased by 282% - from US\$339.7 million up to US\$1.3 billion and export of services increased by 129.8% - from US\$1.3 billion up to US\$3.0 billion. Tourism is one of the fastest-growing sectors in the current account and contributes more than 59% to total balance of trade in services. Tourism's positive balance in this period is increased by 405.4% - from US\$294.4 million up to US\$1.5 billion and export of tourism is increased by 275.5% - from US\$475.8 million up to US\$1.8 billion.

2.12. The financial sector of Georgia is stable. Currently, 19 commercial banks are operating in Georgia including 17 foreign-controlled banks and one branch of a non-resident bank. In 2009-2014, the volume of deposits increased by 223% and amounted to GEL 12.43 billion, the volume of loans increased by 115% and amounted to GEL 12.5 billion. Assets of commercial banks in the same period increased by 148% and amounted to GEL 21.2 billion.

2.13. Bonds of two the largest Georgian commercial banks, Bank of Georgia and TBC Bank are placed on London Stock Exchange. JSC Bank of Georgia's shares had been listed on the London Stock Exchange in the form of GDRs since November 2006 and JSC TBC Bank - since June 2014.

2.2 Agriculture

2.14. The agricultural sector constituted 9.2% of the total GDP of Georgia with 42.6% of the entire population residing in rural area (as of 2014). The government, fully acknowledging the central importance of this vital part of the economy, has diverted substantial sums to the sector. By percentage, the budget allocations to agriculture have increased three-fold since 2011 (from 0.8% to 3.1% of the total allocations in 2014). The enticements have also resulted in the increase of agricultural exports by 6.7% in 2014 compared to the previous year.

2.15. GoG has launched various programs aimed at further improving the economic condition of rural areas and their workers. These included Preferential Agro-Credit, Co-Financing of Agro-Processing Enterprises and Agro-Insurance projects. Significant improvements were noted in ensuring epizootic and phytosanitary reliability, food safety and enhanced irrigation and drainage systems. Vigorous international promotion projects for Georgian agricultural products especially that of wine, has been launched as well.

2.16. Pursuant to the Deep and Comprehensive Free Trade Area (DCFTA), Georgia has enacted, with the intent of approximation with EU legislation, numerous legislative amendments in the Food/Feed Safety, Veterinary and Plant Protection Code of Georgia as well as enacted crucial new legislature in order to improve food/feed safety and consumer protection, including mandatory labelling of genetically modified products (GMO), identification and registration systems for cattle, ovine and caprine animals as well as their habitats, new rules regarding the official control over the production/processing of products of animal origin, etc.

2.17. The overall strategic goals of Georgian agriculture for next five years, according to the "Strategy for Agricultural Development in Georgia 2015-2020", is to increase the competitiveness of rural workers, improvement of, irrigation and drainage systems, food and veterinary safety as well institutional, regional and sectoral development.

2.3 Energy

2.18. The energy sector remains one of the leading sectors in the economy of Georgia. Affordable and reliable energy supply stays a key goal of the country. Reforms carried out in the sector were directed towards the main goals of: increasing efficiency of the existing and development of new capacities, and diversification of export and import sources. For this purpose, significant changes were made to the legal basis during the last years. The new Energy Policy of Georgia, which defines the main strategic directions of development of the energy sector of the country, was approved in June 2015.

2.19. Regulatory and market reforms - focused on deregulation and privatization, unbundling and tariff adjustments to cost-recovery level - have helped to improve service quality and the financial viability of the sector.

2.20. The process of privatization and deregulation of hydropower plants, as well as policy directed towards development of the domestic renewable energy sources and suitable legal basis resulted in investors' high interest and growing share of the energy sector in the country's Foreign Direct Investments. Because of the rehabilitation of the existing and construction of the new power plants, the annual hydro generation increased by 12% for the period of 2009-2014. For this period, 10 new hydropower plants with a total installed capacity of 157MW were commissioned. Annual electricity consumption per capita increased and reached 2164kWh in 2014 compared with the 1896kWh in 2010. About 85 Memorandums of Understanding on construction or Feasibility Study of power plants are signed and the projects are at different stages of progression.

2.21. Significant improvements were achieved in transmission and distribution systems. As a result of rehabilitation of the transmission network, improvement of metering and billing systems, the overall system losses for the period of 2009-2014 decreased by 32%.

2.22. Along with the rehabilitation of the existed transmission infrastructure, construction of the new facilities was started. The most important project of the last few years was the Black Sea Transmission Line connecting Georgian and Turkish electric systems with the HVDC convertor station and 500/400kV transmission line. Construction was started in 2011 and the line was put into operation in 2014 giving additional 700 MW capacity of trans-border exchange. Besides, construction of the new 500kV transmission line connecting Georgia and Azerbaijan was completed in 2012. In 2014 Georgia Improved Power Transmission Project was completed and 220kV double circuit transmission line Senaki 1-2 and the Enhanced Emergency Control System were commissioned. Under the Program Extension of Transmission Network works for the construction of the 500/220kV Jvari-Khorga Interconnection and transmission lines were started in 2014. The transmission System Strengthening Project was started as well, comprising the construction of a high voltage double-circuit 220kV transmission line from Akhaltsikhe to Batumi.

2.23. For further development of the Georgian electricity system the Ten Year Network Development Plan of Georgia 2015-2025 was elaborated and approved by the Government of Georgia in 2015. The goal of the plan is to ensure further security of the network, power quality, and sufficient transfer capacity for the domestic consumers as well as the power exchange with all the neighbouring countries. To ensure an accessibility of the population of the remote settled areas to the energy the noteworthy progress was made.

2.24. For the period of 2009-2015, gas consumption increased almost by 100%. In this case the country is import-dependent and steps toward diversification of the suppliers were made to ensure security and reliability. Local gas production was increased by 7%. As a result of rehabilitation of the existing network and construction of the new gas supply infrastructure, the service quality has been improved and losses were decreased, which for the distribution system was 8.6% in 2014. Development of the project for the underground gas storage was started in early 2015. After completion, the storage facility will give possibility to accumulate the gas in amount of 10%-15% of the country's annual consumption.

2.25. Georgia has continued to support the initiatives related to the transportation of hydrocarbon resources in the framework of the Southern Gas Corridor. The second stage of the Shah-Deniz project was started in 2014, where Georgia has an important role as a transit country. For further development of the transit capacity, Georgia participates in realization of the Azerbaijan-Georgia-Romania Interconnector Project (AGRI) intended for transportation of the liquefied natural gas (LNG) via Black Sea to Europe. Also, Georgia was actively engaged in the preparation of Brody-Plotsk Oil pipeline design activities in the framework of the Euro-Asian Oil Transportation Corridor (EAOTC) project. The Government of Georgia, together with the relevant stakeholders has formed a special working group to be tasked to prepare a new multilateral inter-governmental draft agreement on the development of EAOTC. In 2009 the Government of Georgia signed a Memorandum of Understanding with White Stream - proposed pipeline project to transport natural gas from the Caspian region to Romania and Ukraine with further supplies to Central Europe.

2.26. From 2010 Georgia has been a member of the International Renewable Energy Agency. In early 2013 Georgia made the statement to join to the Energy Community. In 2015 Georgia is a chairman of the European Energy Charter.

2.4 Tourism

2.27. Tourism is one of the fastest developing sectors of the Georgian economy and has a high potential for further advancement. Between 2009 and 2013 Georgia achieved tremendous results in tourism growth, with total arrivals increasing by more than 300%, from 1.5 million to exceeding the 5 million mark. This trend also continued in 2014 and about 5.5 million visitors traveled to the country. Furthermore, total tourism revenues increasing at a slightly faster pace, from approximately US\$475 million to US\$1.8 billion.

2.28. The increase of travellers was mainly determined by entrance of new airlines, introduction of direct flights to new destinations, and marketing and promotional campaigns implemented by the Georgian National Tourism Administration (GNTA).

2.29. Furthermore, within the past few years, one of the major successes for the tourism sector in Georgia has been the entry of renowned hotel chains such as: Radisson Blue, Holiday Inn, Best

Western, Hilton, etc. With this Intercontinental, Radisson Park Inn, Kempinski and other brand name hotel chains also have projects to enter the Georgian market.

2.30. Herewith, the liberal visa regime has had a considerable effect on increasing both the number and the diversity of visitors traveling to Georgia. Currently, the country upholds a visa-free regime with 94 nations and Resident Permit Holders of 50 states. Furthermore, in February 2015 Georgia launched an e-visa portal (evisa.gov.ge), which grants citizens of foreign countries the ability to apply for a Georgian visa online. It is also important to note that Georgia and Turkey have an agreement regarding passport-free travel between the countries.

2.31. Considering the importance of the tourism sector for Georgia, in 2014 the country started preparation of the new Tourism Development Strategy, which outlines the vision of the tourism industry until 2025; the document will be finalized in 2015. According to the strategy, the Government of Georgia will progressively focus its efforts on diversifying markets, raising awareness about the country throughout the world, assisting the private sector in creation of higher quality and niche tourist product and furthers stimulate the domestic tourism market.

2.5 Transport

2.32. Due to its geopolitical location, transport is one of the major pillars of economic development and prosperity of the country. Georgia is located on the crossroad of Europe and Asia, where transportation of strategic cargoes is conducted. Therefore, one of the top priorities for the Government of Georgia is coordinated functioning of transport fields, modernization-construction of transport infrastructure in accordance with international standards and approximation of country's legislation with international law.

2.33. One of the main projects for the Government of Georgia is the East-West highway construction and rehabilitation project, which is of great importance not only for Georgia and its neighbouring countries, but also for the EU as a strategic transit route for road transport between Europe and Central Asia. Better transport links are crucial to improving Georgia's economic cooperation with neighbouring countries and its other trading partners, strengthening the competitiveness of the region and increasing transport safety and capacity with positive consequences. As a member of the EU-backed Transport Corridor Europe-Caucasus-Asia (TRACECA) scheme, Georgia is working to streamline transport tariffs on all major tapes of cargo; TRACECA corridor development remains a transport policy priority for Georgia. Currently, approximately 112 km. of high-speed highway has already been constructed. In 2015 it is planned to conduct construction works for an additional 129 km of central highway. After the finalization of the works, the highway will have four lanes with the capacity to serve 50,000 vehicles per day.

2.34. Railway transportation plays an important role in the development of the economy of Georgia and is an integral part of the Europe-Caucasus-Asia transport corridor. According to the statistics, 20 million cargo tonnes and 3 million passengers are transported by JSC "Georgian Railway". Today, JSC "Georgian Railway" is involved in a number of large scale projects which aim to increase the efficiency and capacity of the railway transportation system in Georgia, expand the rail network and to stimulate and enhance intermodal and passenger transportation. One of the important projects is Baku-Tbilisi-Kars Railway.

2.35. The Baku-Tbilisi-Kars Railway is a new corridor that will connect Azerbaijan, Georgian and Turkish railways. The project implementation began in 2008 and main construction works will be finished on the Georgian territory in 2015. The project foresees the rehabilitation and reconstruction of 178 km-long railway between Marabda and Akhalkalaki and construction of a new railway from Akhalkalaki to the Turkish border. The project will effectively open a new rail corridor from the Caspian Sea to Europe via Turkey. The project will be an important driver of future incremental transport volumes, particular for containerized cargo. At the first stage capacity of the project is supposed to be 5 million tonnes cargo per year with the perspective of increase up to 15 million tonnes and 1 million passengers per year.

2.36. GoG strives to enhance development of port infrastructure and increase competitiveness between sea ports. For this purpose, particular importance is attached to the construction of the new Deep Sea port in Anaklia. The new sea port will be gateway for Central Asia and Caucasus countries in the world. The Port shall be constructed in several phases and gradually reach the

capacity of handling 100 million tonnes of cargo annually. The Anaklia port shall have the following competitive advantages: 1. Strategic location, 2. Capacity to receive Panamax type of vessels, 3. One stop shop solutions, 4. Simple and fast procedures and 5. All year round safe navigation. Construction of the Anaklia Port shall create favorable conditions for the development of logistics services and industrial zone in the adjacent area. It will give new impulse to increase competitiveness of TRACECA corridor and attract additional cargo flows from Europe to Asia and vice versa through the territory of Georgia.

2.37. During the last years, Georgia has gone through a comprehensive review of the air transport sector, including a reorganization of the institutional framework that derived in the separation of the functions of policy making, technical regulation, and operation of infrastructure. Along with the reform, the country has been experienced an increase in demand for aviation services, which generated an increase of interest from foreign carriers to access the Georgian international market.

2.38. Currently, the two International airports of Tbilisi and Batumi are being operated by private operators that have been responsible for development of the facilities. However, the third International airport of Kutaisi and domestic airport in Mestia is being refurbished and operated by the government.

2.6 Telecommunications, Innovations and Technology Development

2.39. Based on the reforms carried out in recent years, the field of ICT is de-monopolized and liberalized, and the new legislative environment has simplified procedures for start-up activities. Licensing is required only for activities using the radio frequency spectrum; in all other cases, a new player on the market only has to take the authorization.

2.40. Understanding the importance of innovation and technology development and its role in GDP, to support innovation, and technological advancement, the Government of Georgia established Georgia's Innovation and Technology Agency (GITA) - under the Ministry of Economy and Sustainable Development in 2014- as a main coordinator and mediator in the process of building innovation ecosystem in the country. The Agency aims to promote entrepreneurship by improving access to finance, entrepreneurial learning, consultancy services and export promotion and innovation by supporting adaptation to DCFTA requirements. GITA plays a pivotal role in implementation of the government's innovation policy. The ultimate goal of GITA's programs is to enhance productivity of the Georgian companies, foster SME internationalization and facilitate investments into R&D and innovative production – all aiming to innovative SMEs increase competitiveness of Georgian exports and support sustainable longer-term growth of the economy. The Government of Georgia has also created Research and Innovation council, which is chaired by the Prime Minister.

2.41. Georgia is developing and innovation infrastructure, in which a Technology Park is the main component with its business incubators, accelerators and the Innovative and Fabrication laboratories. 2 FabLabs and 3 iLabs, were created on the basis of universities with the directions of: Programing for the mobile application; Computer games development and Computer graphics visual effect. Two FabLabs with the direction of engineering and creativity, were created by public, private and academia dialogue.

2.7 Technical Barriers to Trade

2.42. Georgia continues to further develop national quality infrastructure according to international and EU best practices. The process was accelerated from 2009, when Georgia started preparations for DCFTA negotiations with the EU. In 2010 GoG has adopted the Strategy in Standardization, Accreditation, Conformity Assessment, Technical Regulation and Metrology and a Program on Legislative Reform and Adoption of Technical Regulations. These documents were developed according to the principles of the best international and European practice.

2.43. According to the principles laid down in the GoG Strategy and Program, in May 2012 Georgia adopted the new law "Code of Product Safety and Free Movement of Goods" which is the main document in the TBT area. The Code incorporates two horizontal European directives (General Product Safety Directive and Liability for Defective Products directive). New code

combined in itself following laws: the law on Standardization, the Law on Conformity Assessment, the Law on Ensuring Uniformity of Measurements, the law on Accreditation and the Law on Control of Technical Hazard.

2.44. Georgia acknowledges the standards and technical regulations of EU and OECD countries and of those countries with whom Georgia have bilateral or multilateral trade agreements, whose products may enter the Georgian market without any additional conformity assessment procedure.

2.45. In the field of quality infrastructure there are several main governmental institutions in Georgia: Georgian National Agency for Standards and Metrology (GEOSTM) which is responsible for Standardization and Metrology; Unified National Body of Accreditation – Accreditation Centre (GAC) –responsible for accreditation; and Technical and Construction Supervision Agency (TCSA) – responsible for market surveillance on industrial products. All of these institutions are under umbrella of the Ministry of Economy and Sustainable Development of Georgia.

2.46. A quality Management System according to the International Standard ISO/IEC 17025 has been implemented in Metrology Institute of GeoSTM. In February 2014, implementation of Quality Management System in 3 laboratories of GeoSTM Metrology Institute (Electrical, Mass and Temperature Measurements Labs) was recognized by the COOMET Quality Forum Technical Committee. In the recognized fields – Temperature, Mass and Electrical Measurements – BIPM authorized the GEOSTM Metrology Institute to use CIPM MRA logo on the Calibration Certificates. Georgia is the first country in the region to achieve international recognition in the metrology field.

2.47. GEOSTM has become an associated member of International Electrotechnical Commission (IEC) affiliate member of the European Committee for Electrotechnical standardization (CENELEC) in 2010. Also, in 2011 it became correspondent member of the International Organization for Legal Metrology (OIML).

2.48. GAC has become an associated member of the European cooperation for Accreditation (EA) in 2011. It is an affiliate member of the International Laboratory Accreditation Council (ILAC). It has amended a significant set of its rules as to comply with the European practice in EA in order to become internationally recognized as a member of a Multilateral Recognition Agreement. GAC submitted the application for peer review to the EA at the end of 2014, which is a precondition for conclusion of multilateral agreement with the EA.

2.8 Public Procurement

2.49. Since 2009, Georgia's public procurement system has undergone major positive legislative and institutional changes. Significant amendments were made to the Georgian law on State Procurement, which came into force in December 2010. According to the amendments so called "paper based tenders" were fully replaced by the electronic procurement system. Since then all tendering procedures (from tender announcement to conclusion of contract) have been exclusively executed by eProcurement system and potential bidders have the possibility to receive all relevant information regarding each stage of the tender process. The new eProcurement system, which is broadly consistent with best international practices, increased competition among suppliers and ensured greater transparency and simplicity of the procurement process.

2.50. The rapid and impartial Dispute Resolution Board (DRB) was established in December 2010. It consists of 6 members, representatives of State Procurements Agency and civil society on the parity principle. The Board operates independently, is not accountable to any state body. Any person may appeal the actions of a procuring entity or tender committee to the DRB if the Law was violated and/or their rights infringed. The simple electronic module for submitting state procurement related complaints has been launched in 2011 and finally modified in early 2013. Lodging and hearing of a complaint are not subject to a fee; a complainant does not incur the cost of attorney's for hearings. The maximum time for the Board to arrive at a decision is 10 days.

2.51. It is noted that in the report of the Seventh Regional Public Procurement Forum of the EBRD held in Tbilisi in May 2011, Georgia is ranked 4th highest out of 29 EBRD countries in a comparison of the quality of public procurement remedies systems. EBRD considers that only in Georgia the remedies body is fully independent.

2.52. The remarkable achievements in public procurement have been explicitly acknowledged by different international organizations including: OECD, United Nations, which awarded the Georgian eProcurement system the second place among 471 candidates from 71 countries in the United Nations' Public Service Award, Category: Preventing and Combating Corruption in the Public Service and recognized Georgian eProcurement system as one of the best worldwide.

2.9 Tax and Customs

2.53. Since the last trade policy review of 2009 there were a number of fundamental changes in the regulatory framework governing customs and taxes. In 2011 a new Tax Code entered into force, unifying for the first time both the Tax and the Customs legislation into a single legal act. This new legislation was envisioned with a strong emphasis on transparency, coherence, trade facilitation and ease of understanding.

2.54. In the years following the review, Georgia's Tax and Customs Administration has employed a service-oriented policy, pushing for increase in voluntary compliance over the cumbersome control based system. Prior to 2010, business was responsible for the proper identification of HS codes, customs value, and of the country of origin while the Revenue Service focused solely on the control, the situation is reversed today and the Revenue Service is tasked with the aforementioned functions allowing business to concentrate on its development while still insuring the proper taxes and tariff (or non-tariff) are assigned to the goods.

2.55. Institutional reforms saw further streamlining of customs procedures with a decrease in the number of government agencies directly responsible for the control of goods at the border from 8 to 2. While the number of mandatory documents required at the border decreased from 4 to 2 (not including license and/or permits required for certain types of goods).

2.56. The period saw the introduction of Customs Clearance Zones (CCZ) – centers for customs clearance of goods. CCZ procedures cover the whole chain of customs clearance: filling-in procedures of customs declaration, issuance of permits and certificates, clearance of goods, commodity expertise, documentary and physical inspection. Moreover, the following services are available at CCZ: parking zone, consultation on customs matters, computers with free internet for economic operators, bank services and cafeteria. Aforementioned procedures are available for 24 hours a day, 7 days a week. Clearance procedure covers all the goods transported by sea way, railway, air way or road way means of transport and commodity operations set by the Georgian legislation: import, export, re-export, transit, temporary import, warehouse, inward processing and out-ward processing.

2.57. Based on the desire to create a comfortable environment for economic operators, CCZs systematically work on improvement and simplification of clearance procedures. Supporting this idea, submission of documents for filling-in of the declaration and clearance can be done physically and electronically, and both of them have equal legal status. Economic operator can use advance declaration and enjoy its benefits. Customs Department gives the authority to economic operators to take the goods from border directly to their warehouse, that is non-control zone and make declaration of goods afterwards. At the same time, via granting the access to the relevant system of customs data, economic operator can fill-in the declaration by himself/herself and then send it electronically for further clearance procedures.

2.58. Another initiative to help ease the burden on tax payers, the Revenue Service created electronic services on its official web-page, <http://www.rs.ge/en/1340>. The site ensures simple, fast and convenient provision of services. Using the site, taxpayers can conduct, receive and manage electronic correspondence with Georgia Revenue Service, as well as send questions and receive responses, send statements, submit tax returns, file VAT invoices, and many other services.

2.59. One of the recently implemented initiatives within the scope of inter-agency cooperation was the establishment of an e-platform of permits: a number of permits are needed in order to finalize the border control procedures. The exiting e-platform automatically registers the permits issued by a number of agencies: The Ministry of Internal Affairs; Ministry of Defense; the Ministry of Economy and Sustainable Development; the Ministry of Agriculture; the Ministry of Environment and Natural Resources Protection; the Ministry of Health, the Labour and Social Affairs. Issuance of

the permits is automatically registered and validated on all the BCPs. On finalizing the border control procedures the feed-back is given to the permit issuing agencies.

2.60. In addition to the new online services, the tax authorities have significantly improved customer service at its tax payer centers for those who prefer handing tax matters in person. These centers operate in major cities and are available for all taxpayers, regardless of where the business was registered.

2.61. The Revenue Service has also been creating better conditions for logistics and distribution businesses based in Georgia. Recent reforms include exempting international conveyance from VAT, allowing goods held in customs warehouse regime, and allowing goods in warehouse customs regime to be sold while still applying a profit tax exemption to free warehouse enterprise.

2.62. To foster better communication and relations between the authorities and businesses, the Revenue Service created a mechanism to mediate tax disputes. This system has significantly eased the appeals system for taxpayers.

2.10 Competition

2.63. Based on EU recommendations in the framework of preparations for the DCFTA negotiations the Comprehensive Strategy of Competition Policy was adopted by GoG in December 2010. In May, 2012 has been adopted Georgian Law on Free Trade and Competition, Which was further amended in 2014.

2.64. In order to promote free trade and competition, in April 2014, a Legal Entity of Public Law (LEPL), the Competition Agency of Georgia, was established which is an independent body.

2.65. The Georgian Competition Agency is a member of the International Competition Network (ICN) since October 2014. Also the Agency became a member of the Sofia Competition Forum (SCF). The newly formed Competition Agency has already gained international and local recognition.

2.11 Intellectual Property Rights

2.66. Georgia has made number of amendments to its IP legislation during the review period in order to harmonize Georgian legislation in the intellectual property field with the EU standards. In 2010, fundamental amendments were introduced to the Patent Law, Trade Mark law and to the Law on Copyrights and Neighbouring Rights. Also in 2010 Parliament passed the new Design Law.

2.67. In 2015, National Intellectual Property Center - Sakpatenti, in cooperation with relevant governmental bodies, created an IPR enforcement interagency coordination body, which will deal with IPR enforcement issues, including implementation of border measures. Sakpatenti also established an IP training centre in order to raise knowledge of IP protection.

2.68. Further steps were taken towards implementation of measures aimed at raising public awareness with regard to intellectual property rights protection and ensuring effective dialogue with property rights holders. A number of seminars, conferences and working meetings were held for raising public awareness and information booklets and flyers were printed.

2.12 Public Health

2.69. The Government of Georgia launched the State Universal Health Care Program (UHC) that has ensured every citizen of the country with a basic package of in- and out-patient services. As a result, coverage of the population by the healthcare services has expanded substantially and rapidly from 29.5% in 2010 to around 40% at the end of 2012, and to 99.9% in 2014, among them about 510 000 persons are under private or corporate insurance and the rest of population is beneficiary of the UHC . Most of those benefiting from the UHC program are being covered for the first time.

2.13 Main Trade Agreements

2.70. One of the priorities of the GoG is the diversification of export markets as well as products. Since the last trade policy review of 2009, Georgia signed a DCFTA with European Union and currently Georgia enjoys free trade with the markets of more than 800 million people, including the EU, CIS and Turkey. GoG continues active work on enhancement of trade regimes with other partners as well.

Free Trade Agreement with the European Union

2.71. After six rounds of negotiations and as part of the EU-Georgia Association Agreement, Georgia concluded negotiations with the EU on the DCFTA in July 2013. In June 2014, Georgia signed the Association Agreement, including the DCFTA, with the European Union, which brings the EU-Georgia relations to a qualitatively new level of cooperation in all directions that should contribute to the transformation of the country into a genuine European state.

2.72. The DCFTA, which provisionally entered into force on 1 September 2014, envisages liberalization of trade in goods as well as trade in services. It also envisages gradual approximation of Georgia's legislation to EU legislation. One of major priorities of the GoG is to make the best use of opportunities opened by the DCFTA and bring the anticipated benefits to Georgian citizens on its whole territory within its internationally recognized borders. Effective implementation of the DCFTA will boost the economy, increase Georgia's attractiveness as a viable investment destination, create better environment for local as well as international businesses and facilitate the economic modernization of Georgia.

Free Trade Agreement negotiations with the European Free Trade Association (EFTA)

2.73. In November 2014, EFTA (Switzerland, Norway, Island and Lichtenstein) expressed its intention to start negotiations on a free trade agreement with Georgia. The first round of negotiations was held in September 2015, the whole process of negotiations will last approximately one year.

Free Trade Agreement negotiations with China

2.74. It is envisaged to start free trade negotiations with China in the beginning of 2016. The Joint Feasibility Study on Georgia-China possible free trade agreement was finalized in August 2015. The study concludes that FTA will result in intensification of bilateral trade and will benefit and promote the development of industries in both countries.

3 CONCLUSIONS

3.1. To summarize, during the reporting period Georgia continued the trend of trade liberalization activities. As a result of the subsequent and coherent reform measures, tariff and non-tariff barriers to trade are largely eliminated, and export and import procedures are simplified.

3.2. Georgia has developed an integrated network of international trade agreements, in which bilateral, regional and multilateral trade agreements work in harmony and in a joint effort to promote trade and facilitate market access in Georgia's export markets, as well as to increase competition and efficiency in the allocation of resources in the Georgian economy. Liberal trade policies, preferential trade regimes, and access to the EU market in the long run will create a solid foundation for strengthening and developing local industry, facilitate exports and foreign direct investment.

3.3. Liberal economic reforms and improved business environment have been well reflected in various international ratings. Georgia's rating in the Ease of Doing Business 2014 Survey is 15th place. Georgia is among top 10 countries in the following areas: Registering Property (1st place); Dealing with Construction Permits (3rd place); Starting a Business (5th place), and Getting Credit (7th place). Following from the above, according to the World Bank and IFC, Georgia is 15th most attractive place to do business worldwide. Based on "Economic Freedom of the World 2015" (Fraser Institute) Georgia was ranked 11th among 157 countries.
