

EU-Georgia Association Agreement

6th Meeting of the Customs Sub-Committee

June 5, 2020 Brussels, WebEx meeting

Joint minutes

1. Organisational issues and adoption of the agenda

The European Commission welcomed the participants and thanked for the big interest and the numerous colleagues attending the meeting covering a vast area of expertise.

The Georgian Revenue Service thanked for the organisation of the meeting given the difficult times and for a good cooperation.

2. Customs response for preventing and fighting the spread of Covid-19

The Commission recalled the three Team Europa packages put forward by the Commission to help Georgia in Covid context, totalling 250 M € in grants and 150 M € in loans.

Georgia thanked the EU for the support during the crisis, the financial packages adopted and the timely distribution of the support.

Georgia made a presentation on the measures taken by the country to tackle the covid-19 crisis, namely new institutional arrangements; the Government has adopted a decree to prevent the spread of the COVID-19, new functions were also introduced in the Revenue Service.

EU measures were presented by TAXUD unit A4, namely temporarily suspension of customs duties and VAT on protective medical equipment, testing kits or medical devices.

All measures in the area of customs and taxation taken by the EU to tackle the crisis are available on DG TAXUD's website:

https://ec.europa.eu/taxation_customs/covid-19-taxud-response/covid-19-waiving-vat-and-customs-duties-vital-medical-equipment_en

All measures in the area of customs and taxation taken by Georgia to tackle the crisis are available on Revenue Service's website:

<https://www.rs.ge/6461#>

3. New developments in the Union Customs Code (UCC) and the Georgian Customs code

Georgia provided an update on the legal developments in the national customs code which is fully in line with the UCC. Georgia underlined that they have simplified all customs procedures and formalities, declarations, and functions used by economic operators.

Georgian side also added that administrative capacity in customs area was of importance in order to deliver all the new legislative initiatives as required. Georgia highlighted that now that the legislation is already in place there is a need for adoption of the relevant procedures and procedural manual/enforcement guidelines, which might form a bases for a new stage of a cooperation between GE and the EU.

There is now a need for practical initiatives to implement the harmonised legislation; this will enable the customs administration to evaluate the customs procedures and the new custom code. The implementing provisions will reinforce the legislation. Currently, the main challenge for Georgia is to apply the new legal acts in way which will be close to best EU practice.

The EU made presentation on the recent developments in the UCC, namely on e-commerce, EU Customs pre-arrival security and safety programme supported by the Import Control System 2 (ICS2) and also the introduction of a new form EU 302 in the military movements.

The EU clarified that the entry into force of the e-commerce proposal was postponed to July 2021 due to the pandemic crisis, where the VAT exemption the threshold of EUR 22 will be abolished. However, the customs duty exemption threshold of EUR 150 is maintained.

Georgia provided information with regards to e-commerce in postal consignments, the threshold is EUR 90 (current exchange rate as of 5 June 2020) for the goods and similar to the EU initiative, simplified documents have been introduced in order to ensure a risk analysis even if the goods are not subject to customs duties.

Operational conclusion:

- Georgia will regularly inform about the implementation of the code and EU will assist as needed with the evaluation of the implementation of the code and providing examples on how to enhance of implementation practice through guidelines.**

4. Border enforcement of intellectual property rights (IPR)

Georgia and EU both presented statistics on IPR border enforcement.

In Georgia, there were 45 risk profiles. Roughly 2/3 of cases resolved with the destruction of goods, about 1/4 was released. Cases concern notably clothing, jewellery, mobile phones and car parts. Country of origin in most cases is China 49%, followed by Turkey with 37%. The identified needs for IPR area are increasing capacity of GRS in border enforcement of IPR, sharing experience and practical coaching on ex-officio control procedures. There is also a need for provision of trainings for customs officers and members of the administrative staff on

identification of genuine/fake products, identification of new trends and routes of movement of counterfeited goods, improvement of outreach to private sector, active involvement of IP right holders in the control process, raising visibility and willingness to register IP objects in the customs registry of GRS.

Georgian side also highlighted that GRS will participate in the new EU-Georgia Intellectual Property Project (EUGIPP) funded by the European Union and co-funded and implemented by the European Union Intellectual Property Office. It was mentioned that despite general harmonization of the legislation, there is an evidence that Customs and Tax officers of the Revenue Service, don't have clear guidelines on how to handle the proceedings related to protection of IP rights within their competence, therefore mentioned project will provide possibility to study regulations/enforcement practices in order to ensure that they are compliant with European and international standards and to elaborate enforcement guidelines for harmonization and effective execution of IPR legislation.

The EU presented the legal framework (Regulation 608/2013) of the customs enforcement of intellectual property rights (IPR) and presented the figures on detentions at the EU border of IPR infringing goods from the report on the EU customs enforcement of intellectual property rights for 2018.

The EU informed Georgia that the MS put in place a customs action plan currently in force, for the period 2018-2022.

The new Action plan whose purposes are: to ensure the effective customs enforcement of IPR throughout the Union; to tackle the major trends in trade of IPR infringing goods; to tackle trade of IPR infringing goods throughout the international supply chain; to strengthen cooperation with the European Observatory on infringements of IPRs and law enforcement authorities.

5. Convention of the Common Transit Procedure

Georgia gave an overview about the twinning project, which lasted two years and was finalised in March with the participation of Poland, Finland and Latvia. Georgia explained that the project was successful. It was an important tool that provided their Customs Administration with vital information towards their goals and how to achieve them.

Georgia reported the current state-of-play as follows:

Firstly, the Convention on a common transit procedure, the Convention on the simplification of formalities in trade in goods are available in Georgian since 2015. The development process of legal, regulatory framework in regards to the requirements of the conventions is completed. The recommendations for the legal amendments for primary and secondary legislation has been drafted and will be applied to legislation as soon as the relevant software and operational environment will be in place. Project provided principles and techniques of approximation that will guide and orient GRS legal experts throughout the approximation process. GRS experts gained knowledge and capacity to perform all necessary approximation related tasks autonomously.

Secondly, In order to establish technical capacities for data exchange with EU and current IT system of GRS and to adopt new business operations together with practices of data exchange, project provided the best practices and necessary know-how to GRS representatives. Project managed to deliver relevant capacity and knowledge that led working team to elaborate the document on functional and non-functional requirements. This document represent the pillar for the upcoming project related to procurement of the NCTS software financed by EU as well.

Thirdly, Creation of Contact Group is one of the important achievements of the project, The Contact group is responsible for the prospective comprehensive functioning of CTC/NCTS and is composed by members of different associations representing trade community and other stakeholders. Development of training programmes, including training materials and guidelines for GRS personnel on application of the new computerized system, provides capacity for GRS trainers to independently train customs officers and to assist trade community representatives or other stakeholders.

COM explained that, if needed, it is ready to provide advice with regard to legal and operational preparedness. COM asked whether Georgia had already fixed a target date to accede to the Conventions.

Georgia replied that it plans to accede the Conventions using NCTS 5. It informed the group that the technical part of the project was a key factor. It was prepared to sign a contract with UNCTAD. NCTS 5 will be developed as a stand-alone module connecting to ASYCUDA. Georgia estimates that the development project will take 2 years.

COM stated that NCTS 5 must first run successfully for approximately one year at national level before Georgia can be invited to accede to the Conventions. Therefore, the earliest estimated accession date would be the end of 2023.

COM will share with Georgia the project plans used by common transit countries for the development of NCTS 5.

Operational Conclusions

- **There is a good progress achieved in the area of “transit”, with a target date for the accession to the CTC end of 2023.**
- **The EU will prepare list of elements and share with Georgia for the preparation of a roadmap setting the next steps.**

6. Rules of origin

The EU side explained that it plans to submit before the end of summer holiday a formal proposal for the introduction of the revised PEM rules into the bilateral origin protocols of most PEM countries, for subsequent adoption by the EU-Georgia Customs Sub-Committee, and that advance copy of it was already sent to Georgia.

The Georgian side made a presentation on the system of electronic certificates. Georgia explained that the project is common work between the Revenue Service and the University of Georgia. This project is created to replace the stamps and signatures used for the endorsement of certificates (by a machine readable QR Code that can be scanned with a use of an application) and aims to establish a system for verification of relevant data via a secured Blockchain based environment. The project is part of the national strategy to remove paper documents from business processes to maximal extended possible.

The EU made a presentation covering Covid-19 related measures, implementation of the protocol on rules of origin and the transitional rules of origin. The EU explained that parties were encouraged to accept certificates in a copy form or electronic signatures. The EU is also reflecting how to apply the lessons learnt from COVID-19 crisis.

The EU is in an initial stage as regards the electronic proof of origin, reflecting on policy aspects, legal aspects and costs. The EU explained that if parties go to a digitalisation of the rules of origin it would be necessary to do it with administrative cooperation, such cooperation would need adequate security of data.

The EU addressed points on the implementation of the protocol on rules of origin and the transitional rules of origin.

The Georgian side informed the committee that 21 March 2020 amendment to the FTA between Georgia and the Republic of Ukraine went into force that introduced a reference to the PEM Convention in the text of the agreement. Negotiations are underway to replace the Rules of Origin with the Republic of Moldova with the reference to the Convention.

Georgian side requested guidance on several matters of interpretation of the Convention that were to be forwarded to the commission after the meeting.

The modernisation of the regional Convention on rules of origin will go through this transitional package of rules of origin allowing for an early implementation of up-to-date rules. It will be merged in the Convention once all partners agree.

Operational conclusion:

- **Useful exchanges on rules of origin, namely on e-certificates.**
- **EU will provide a position on prospective e-certificates (Blockchain based) proposed by the Georgian side**
- **The Commission to provide guidance on several questions concerning the interpretation of the provisions of the PEM Convention.**

7. Mutual Administrative assistance in customs matters (OLAF)

Both parties exchanged (electronically) the updated list of MAA contact points after the meeting.

Georgia reported that in 2019 it had sent 44 MAA requests to EU MS, and received 38 replies. It also provided figures on the 2020 exchanges to date.

OLAF commented that the figures for 2019 show an improvement on Member States' rate of replies. It considers premature to conclude on the figures for 2020 due to the exceptional situation.

Georgia informed on a recent increase of its excise duties on tobacco products. This has been accompanied by reinforced controls so as to prevent higher smuggling. Georgia also updated the EU on progress on risk management and on organisational plans to reinforce controls, and expressed its will to receive further training and other assistance on areas such as risk management or data analysis. Georgia and the EU (OLAF) have good cooperation, especially on tobacco smuggling; Georgia reported on a particularly successful case in 2019, concerning a suspicious entry of cigarettes into the EU.

Georgia proposed to update the list of contact persons to include additional persons from Customs Department of Georgia Revenue Service.

OLAF expressed satisfaction with the cooperation with GE and the work undertaken in order to improve prevention and control of tobacco smuggling. It also encouraged the Georgian Government to proceed as speedily as possible to the acceptance and ratification of the FCTC Protocol.

Operational conclusions:

- **Georgia and the EU will continue the good cooperation especially on tobacco smuggling.**
- **Georgia will keep the EU updated on progress towards its accession to the Protocol to the WHO Framework Convention on Tobacco Control as possible, while acknowledging that the issue is not the direct responsibility of Customs.**

8. Update of Annex XIII of the association agreement Update made by the EU

The EU updated the participants of the ongoing revision of the customs Annex of the Association agreement. The draft proposal for a Council Decision is prepared and will be subject to a formal Interservice Consultation with the Commission services. It normally takes three weeks after that, the proposal will be translated into all EU languages and adopted by the European Commission. The discussion and adoption in the Council will fall under the German presidency. The EU advises Georgia not to make amendments in the national legislation until the Decision is published in the OJ of the EU, including translation of the text.

Operational conclusion:

- **Update of the customs Annex will be finalised by the end of the year.**

9. Dual Use goods

Georgia explained that the project funded by the EU delegation to Ukraine and supported by the Science and Technology Center in Ukraine, has been completed and the Handbook on Georgia's Export Control System to Raise Awareness of CBRN related Dual Use Items Export Controls has been published. The handbook is available online in English. https://www.rs.ge/Default.aspx?sec_id=5304&lang=2#

The upgrade of Georgian dual use control list in line with EU list of dual use goods is planned.

Georgia would like to request a support in order to improve the administrative capacity. Georgia had training sessions; Georgia would like to request EU to invite Georgian representatives in the training events of the EU.

EU (NEAR) explained that participation in a training Georgia has to ask MS, in case the support concerns financing for trainers, Georgia can request support via TAIEX, through which Member States' expertise can be mobilised (for either an expert mission, workshop or mission. Georgia can have also an expert mission or a study visit).

10. AEO and performance measurement

Georgia explained that their legislation is harmonised to the EU legal provisions related to AEO. The system is operational as from September in 2019.

MRA AEO is the scheme for which the Georgian business community is in particularly interested. Georgia is currently in consultations with the People's Republic China and the Republic of Turkey regarding the AEO MRAs.

EU explained that Georgia has not yet officially requested to have an MRA with the EU but it is very much interested in such an agreement (MRA AEO) with the EU.

Georgia explained that there are about 200 operators currently enrolled in the previous authorized operator scheme with around half having good potential to claim the AEO status.

EU explained that currently there are around 18 000 AEOs. There are AEO MRA agreements concluded with China, USA, Japan, Switzerland and Norway and there are currently ongoing negotiations with Canada and Hong Kong.

EU explained that MRA concept is embodied in the WCO SAFE Framework. The objective of an MR agreement is that one customs administration (eg. Georgia) recognises all AEO authorisations by the other customs administration (eg. EU) and agrees to provide comparable and reciprocal benefits to the mutually recognised AEOs.

EU proposes the following MRA benefits to its MRA partners: fewer security and safety related controls, recognition of business partners during the application process, priority treatment at customs clearance and business continuity mechanism. In addition, future benefits are being discussed between the trade and customs administrations.

The EU side presented a brief overview of the MRA consultation/conclusion procedure, including the necessary steps to be taken by both parties. The whole procedure process usually lasts around two years.

On the question whether the EU would be able to assess the Georgian legislation, EU replied that currently there are many requests and it will depend on the established priority and hierarchy agreement to take a request.

Operational conclusion:

- **Both sides agreed that future work plan needs to be established**

EU made a presentation on Customs Union Performance

Georgia is very much interested in the EU methodology and would like to use it as a benchmark nationally.

EU explained that the report is classified and cannot be shared unlike the knowledge.

Operational conclusion:

- **On a request of Georgia the EU can share the Guidance Notes providing details on the data collection indicators and key performance indicators. In case of further questions a meeting providing further explanations can be organised.**

11. Plans for construction of New Border Crossing points (BCP)

Georgia explained that since the finalisation of the EU funded regional IBM program, there is no alternative instrument or platform where similar regional initiatives can be addressed. In the past, a number of border inspection posts were constructed with co-financing mechanisms (EU funding plus funding from partner countries) at the Georgia–Armenia and Georgia-Azerbaijan border. Thanks to such initiatives Georgia has modern and fully equipped Border Inspection Posts at the borders with Armenia and Azerbaijan which are in line with EU standards. Georgia requested financial assistance and guidance on this matter.

EU (NEAR) confirmed that the regional IBM Flagship does no longer exist. NEAR will inquire whether a similar regional project is foreseen in the future, there are other ideas that in future there will be something similar to these projects.

On a bilateral level, IBM is included in the SAFE (Security, Accountability and Fight against Crime in Georgia) programme. However, support on IBM only covers the green border stretches between Georgia and Azerbaijan.

Operational conclusion

- **EU will share information on SAFE with Georgia**

12. AOB

None

13. Next meeting

The next meeting will take place in June 2021 in Tbilisi.