

sdadEU-Georgia Association Agreement
8th Meeting of the Customs Sub-Committee
June 9, 2022 Brussels, DG TAXUD hybrid meeting

Joint minutes

1. **Organisational issues and adoption of the agenda**

The European Commission welcomed and presented the participants and highlighted that this is the first physical meeting after two years. The Commission thanked for the numerous colleagues attending the meeting covering a vast area of expertise.

The Georgian Revenue Service thanked for the organisation of the meeting and for the good cooperation.

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

Georgia provided an update on the legal developments in the implementation of the national customs code, which is in line with the UCC as set in the Association agreement.

Georgia thanked for the technical assistance provided and explained that the legislation on Customs duty relief will enter into force on 1 January 2023.

Exception from customs duties on quantities to be enacted granted on the base of the end use, might increase risk of violations, it is important to have the appropriate technical support to administer the legislation and avoid misuse of the benefits. In order to ensure effective implementation, Georgia need to study the EU experience, Georgia had a TAIEX mission on the topic, the main aim is to modify the legislation and to harmonise it with the customs code.

Georgia has an EU support to the find an expert to assist Georgia with the draft chapter X. Georgia would like to adopt a simplified declaration and AEO program, and implement it in a harmonised way.

It will help Georgia to decrease time for customs clearance and decrease the possibility to make incorrect customs declaration. The digital agent will convey the information from one point to another.

EU explained that it is currently working on the process, the new Customs Action Plan aims at facilitating trade and exchange of information. Interoperability of Single window will not create an interface but via the single window, it will be ensured better cooperation with third countries. As an example, on proof of origin the EU is building a centralised system to be used together with third countries.

European Parliament in 2017 requested the Commission to evaluate the current customs code and take stock of the state of play of the implementation of the customs legislation and delivery of the electronic systems set out in the UCC. It is a 2-step process, there was an External study, including a public consultation, the Commission evaluation in form of a staff working document was published on 31/5/2022¹, the results to be presented to MS on 10/6/2022.

Operational conclusion:

- **Georgia and EU will regularly inform each other about the new developments in the customs codes**

3. UCC Binding Tariff Information (BTI) System ².

The EU has presented the basic principles of the system. BTI is a decision on the tariff classification of goods that is issued by the customs administration of a Member State. It is binding on all EU customs administrations and on the holder of the decision. An application for a BTI decision may only be made in respect of an intended customs procedure and a trader cannot have more than one BTI for identical goods (“BTI shopping”). BTI is valid for 3 years.

The purpose is to have a uniform tariff classification. BTI gives legal certainty for traders as regards tariff classification and tariff treatment of their goods and the aim is also to ensure trade facilitation and equal treatment in the EU.

The EU explained the role of the Customs authorities in Member States as issuing BTIs is part of their operational tasks. MS are also responsible for the monitoring of the BTI usage. In addition, the EU presented the list of competent authorities for issuing BTIs in MS.

The role of the Commission is to prepare the BTI related policy and legislation, to monitor its correct implementation and to also manage the European Binding Tariff Information (EBTI) system. There is an internal version (EBTI central application for Customs authorities in Member States) and the public version (DDS EBTI, non-confidential information only) which is also available for third countries.

The EBTI system is used for the submission, processing, exchange and storage of information related to BTI applications and decisions. The Commission is responsible for the functioning of the system and Member States are responsible for issuing the BTI decisions and for the data included by their administrations. All the BTI-related processes have been made electronic and all the BTI applications have to be introduced electronically.

The EU presented how the Member States use the EBTI system and how it functions, including the EU Customs Trader Portal. Twenty-two MS use the EBTI central application and the EU Customs Trader Portal and five other MS use their national system and national trader portal.

¹ SWD(2022)158

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http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/classification_goods/index_en.htm

In case the MS fail to resolve the divergence in 90 days, the divergences are examined by the Customs Code Committee.

The EU also presented the number of statistical data related to BTI applications and decisions.

4. Rules of Origin

EU (DG TAXUD) made a presentation of the state of play concerning the regional Convention on pan-Euro-Mediterranean preferential rules of origin and the transitional rules of origin

COM acting as secretariat of the PEM Joint Committee presented the different points that should be discussed at the next JC meeting scheduled 16 June 2022 back to back with a technical meeting on transitional rules of origin and a meeting on the e-PoC initiative concerning the digitalization of certificates of origin.

On the upcoming PEM Convention Joint Committee meeting (16/06/2022), the EU underlined the information note n°1 dated 30 March 2020 concerning the acceptance of digital copies of proof of origin due to the sanitary crisis (CoViD-19). Georgia evoked the reference in a national decree to this information note and expressed its intention to maintain this relaxation in place beyond CoViD. COM as PEM Secretariat indicated its willingness to maintain such flexibility and is working on the possibility to introduce a recommendation at the level of the Joint Committee in a near future that could substitute the information note n°1. This recommendation has been suggested by Turkey.

On the upcoming technical meeting on transitional rules of origin (16/06/2022), the EU insisted on the permeability (possibility for operators to use proofs of origin issued under the PEM Convention as valid proof to request a proof under the Transitional rules of origin).

Georgia indicated that it was in favour of such measure.

The EU indicated that it was working to introduce permeability in the EU corpus of law via an implementing act that will ease the use of transitional rules of origin for EU exporters when supplying in the EU.

On the upcoming e-PoC plenary session (16/06/2022), COM as PEM Secretariat is working on the possibility to use the enabling clause (Article 17(4)) of the Transitional rules of origin to introduce the option to issue electronic certificates. This is of great interest for Turkey and Norway who have an existing system already in place. This point would be linked with the recommendation raised in the PEM Convention context. Georgia indicated that it supported this project.

COM indicated that a document will be distributed on CIRCA BC.

Georgia made a presentation on the rules of origin. Georgia indicated its willingness to implement the transitional rules of origin with the rest of the partners (EFTA, Ukraine, and the Republic of Moldova). Georgia requested the support of the EU to convince the Republic of Moldova on this implementation.

The EU confirmed that it was possible to use the TAIEX instrument with the partners and indicated that all CEFTA parties (including the Republic of Moldova) will introduce soon the Transitional rules of origin in the CEFTA agreement. The EU hoped that this should ease the update of the rules of origin between Georgia and this partner. The EU recalled that the ultimate goal was the adoption of the revised rules within the Convention to stop the use of 2 sets in parallel.

As a conclusion Georgia mentioned the high quality of cooperation in the field of rules of origin with the Commission and thanked the PanEuroMed team.

Operational conclusion:

- **Exchanges on rules of origin, namely on e-certificates**
- **Within the framework of the PEM Convention, COM (acting as secretariat of the PEM Joint Committee) will provide draft recommendation/advice for extension of practice regarding acceptance of electronic movement certificates (EUR.1).**

5. Convention of the Common Transit Procedure

Georgia made a presentation on the work done on the accession of the country to Convention on a common transit procedure and the Convention on the simplification of formalities in trade of goods. Georgia explained that they have made a gap analysis of the legal part of the project.

There is a legal obligation for Georgia to update and translate the legislation in Georgian. It is challenging as the Convention is changing and the new changes need to be translated as well. Georgia indicated that they sent the requested legal approximation table to TAXUD.

Georgia is updating all manuals and secondary legislation and also training material for traders and customs.

Georgia reminded the group that UNCTAD is developing an independent new NCTS application, the national application is almost developed with various modules ready to be tested (including the transit declaration, guarantee management and risk management).

Georgia is currently testing the systems, looking for potential discrepancies against its national requirements, UNCTAD works also on integrating the NCTS application to other national systems. UNCTAD is drafting the manuals and drafting the test scenarios. UNCTAD will physically go to Georgia to help with the exchange of knowledge for the testing of the application by GRS.

As it was requested, adaptation for the latest version of the technical specifications shall be considered. The testing of the National Transit Application with DG TAXUD tools is expected to start in December 2022.

COM thanked for the detailed presentation, acknowledged the substantive work done and was clear that the timeframe is very tight. The Commission explained that it is necessary to have one year of national transit application based on common transit rules, in order to allow the country to get experience before the connection to the other countries. The date of Q1 2024 is the target for accession to the Conventions (CTC and SAD) and COM and Georgia will collaborate closely to

reach that objective. In 2023 Q4, Georgia will be able to demonstrate the operational readiness required in order to accede to the Conventions.

The Commission stated that it has already started to assess the legal act that is already published and translated and asked for an updated action plan.

COM will offer the required support, training in order to execute the conformance tests of the NTA. COM stressed the importance for Georgia to properly integrate the Guarantees management module, which is a key part of the NCTS system.

The Commission stressed that when a country is preparing to put in place a new system, it needs often the support of a contractor. Furthermore, advance information of the trade community is needed. The Customs processes require good rules, legislation and training for customs officers. The Commission requested estimations of expected volume of movements when Georgia will switch to Common transit.

The Commission also indicated the receipt of the letter requesting the CCN/CSI connection and it is working on it.

The Commission strongly recommended the extension of UNCTAD contract to 2025 in order to cover the future adaptations required by the transition to NCTS-P6.

Operational Conclusions

- **The Commission takes note of the good progress of the ongoing work on the accession to the Convention.**
- **Georgia to send an updated National Project Plan.**
- **A stock taking meeting will take place monthly on the progress made.**

6. Mutual Administrative assistance in customs matters

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

Georgia explained that smuggling mainly is observed with Armenia. Georgia explained that the contact with EU MS have been good with the exception of one country LV refusing to communicate by email.

OLAF expressed satisfaction with the assistance received from Georgia. The cooperation is quite efficient in particular on fighting cigarette smuggling.

FCTC Protocol

Georgian Customs were pleased to inform that some steps were being taken towards accession to the FCTC Protocol, including the creation of an agency and organisation of dedicated events.

OLAF reiterated its offer for assistance at any stage of the accession process.

Operational conclusions:

- **Georgia and the EU will continue the good cooperation in combatting customs fraud, especially on tobacco smuggling.**

7. Border Enforcement of Intellectual Property Rights

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 2020.

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

Georgia informed the EU that after the alignment with the EU legislation and the introduction of ex officio there is a decline of ex officio registration, one possible reason might be Covid crisis as there is no fee on the registration.

The EU requested a detailed report on IPR in accordance with the Operational conclusions of the Trade committee.

8. Authorised Economic Operator

Georgia explained that they had a TAIEX mission with Latvia in May and they are preparing a manual on AEO. Georgia reported that there are two AEOs. Georgia also explained that they have an evaluation team with Turkey for the future MRA. In addition, China has expressed an interest to conclude an MRA with Georgia as well.

EU acknowledged the good progress with the two authorisations, although ‘promotion’ of the programme would still be needed.

Georgia explained that the two AEOs are big food companies. Georgia is trying to keep customs formality as simple as possible. Georgia is hoping for the start of MRA with the EU in 2023.

EU explained that the AEO programme should be mature and be running for at least a year. A higher number of AEOs would be needed, although there is no guideline describing the minimum number of AEOs required for an MRA. The EU proposes to keep communication open and provide support if needed.

Operational conclusion:

- **Update of the ongoing work on the national AEO program**

9. Customs and Fiscalis programmes

Georgia has signed the agreement to become part of the Customs programme and it is about to sign the Fiscalis programme. The EU explained that, in order to start the implementation of the agreements, Georgia has to nominate a single contact point (Programme Coordinator) for each of the programmes asap, who will have access to the programmes' management and information tools were invitations to activities are uploaded.

During the meeting it was discussed the possibility to sign the Agreement physically on a special paper alternating the name of Georgia and the EU on a request made by the Georgina Ministry of Foreign Affairs.

The EU explained that the Agreements have been signed already by the Director General of TAXUD and to sign them again has to be verified with the Commission Legal Service.

Georgia indicated that the case will not be a precedent as the Horizon Program has been signed as proposed. This signature will not have a legal effect, but it is a diplomatic request.

Operational conclusion:

- EU will verify the possibility to sign the Agreements alternating the place of the parties.

10. Discussion of EU assistance mechanisms to support further development of Georgina infrastructure and approximation process.

On September 29, 2021, the “Agreement between the Government of Georgia and the Government of the Republic of Azerbaijan on customs crossing points on the State border between Georgia and the Republic of Azerbaijan” was signed³.

The Agreement establishes and regulates the mode of operation and the nature of movement across the state border of two countries and provides legal basis for planning and construction of a new, jointly operated border crossing point "Abreshumis Gza - Ipek Yolu – Silk Road" on the Georgian-Azerbaijani border.

The joint BCP will be effective instrument of trade facilitation while avoiding the duplication of customs control process, simplifying the procedures and streamlining the cross-border trade flow. Taking into consideration opening of a new fully equipped and operational sea port near to Baku in Azerbaijan, extension/modernization of “Sarp” border crossing point together with opening of “Kartsakhi” BCP, and modernization of “Vale” BCP at the border with Republic of Turkey,

³ (<https://www.matsne.gov.ge/ka/document/view/5466506?publication=0>).

increased volume of transport means through the territory of Georgia to the direction of Azerbaijan, the construction of new BCP will create additional transit capacity while enabling to avoid the creation of bottlenecks and concentration of movement of the goods through existing BCP “Tsiteli Khidi”. It will establish the alternative route for the goods and transport means heading to the east and to the west.

As Georgia is a transit country for 7 neighbouring landlocked developing countries, namely: Republic of Armenia, Republic of Azerbaijan, Republic of Kazakhstan, Republic of Uzbekistan, Republic of Turkmenistan, Republic of Tajikistan and Republic of Kyrgyzstan, in the light of the war in Ukraine the importance of the land route of the middle corridor of Silk Road has been increased extremely.

Moreover, new geopolitical reality with increasing presence of Russian Federation in the South Caucasus and renovation of “Khanoba - Tagirkent-Kazmalyar” border crossing point between Russia and the Republic of Azerbaijan threatens the long-term sustainability of Georgia’s transit capacity.

The principle of joint customs control reveals to the concept of “One Stop” BCPs. This concept refers to a border post operated by two neighboring countries with the objective to reduce the number of stops incurred in a cross-border movement by combining the activities of both countries border organizations

The expected long-term impact of this project is to contribute to the facilitation of regional trade and migration flows along south Caucasian transit corridor in General.

Georgia requested possibility for EU financing of the project.

Due to the absence of DG NEAR or EU delegation expert the question entered as operational conclusion for a reply by the EU.

Operational conclusion

- **EU to reply to the request for possible financing of the project for modernisation of BCP between AZ and Georgia.**

11. AOB

11.1 Question raised by EEAS on the Statement of the Ministry of Finance of Georgia (mof.ge) as regards the possibility to receive information about tightening of customs controls by the Georgian authorities in light of the EU/international sanctions against RU and BY.

The EU Chair gave the floor to the EEAS to briefly introduce the point and invited Georgia to give an update. Georgia shared the following information:

On sanctions, Georgia does not only verify at transit cases, but also at export and re-export to Russia and Belarus. Georgia also analyses sanctioned goods going to EU (economic operators can be inventive, and unfortunately “a substantial risk has been identified”). Georgia combines the EU, US and UK sanctions lists. Enforcement was difficult in the beginning, but it improved over time”. GE developed 13 additional risk profiles to detect sanctioned companies and individuals, based on EU, UK and US sanctions lists. Customs check point Kazbegi (the only functional one to Russia) has received one extra x-ray scanner and five extra customs officers in light of the sanctions.

Georgia is trying to act both pre-emptively (informing/alerting economic operators) and on enforcement of sanctions. So far, in 90 cases, a breach of the sanctions imposed against Russia were detected. The customs has stopped the consignment and did not allow to complete the transactions. In 19 cases the goods were returned to the export country. The other cases are ongoing. There was one big seizure, which the investigation service of the Ministry of Finance is currently investigating.

DG TAXUD asked about the legal basis used, since Georgia does not formally align with the sanctions. The Georgian side explained that they use the dual use legislation. This legislation includes a “catch all” control, which can be interpreted in a flexible way (even non-dual use, like luxury goods can be added). It gives the authorities to stop the goods and send them back to the export country.

Georgia explained the difficulties to find information on customs lists of goods. Therefore, customs risks analysts have been placed in order to serve as guidance for customs officers. Georgia also developed a joint database of sanctioned goods (EU+UK+US) which is easily searchable. Georgia is aiming to educate customs officers better on how to search and find the EU regulations. Georgia expressed gratitude on the upcoming TAIEX mission on sanctions.

TAXUD reminded that there are around 100 FAQ on sanctions on TAXUD website where Georgia can easily find the answers to number of specific questions. TAXUD has a crisis functional mailbox where Georgia is sending regularly questions on application of sanctions.

Operational conclusion

- **Georgia request for a TAIEX mission on sanctions to take place before summer.**

11.2 Question raised by Denmark concerning a request made by Georgian customs for a Danish company to get a copy of the ‘customs export declaration’.

A company exporting from EU/DK has recently brought to the attention to the Danish Ministry of Finance that their shipment of merchandise is unable to clear Georgia Customs because the

Georgian customs authority demands a copy of the 'customs export declaration'. The exporters are not at liberty to disclose information contained on the 'customs export declaration'. This information is confidential and cannot be released to anyone without a national interest determination being made by the Danish Customs Authority.

Georgia explained that based on their customs legislation in case of doubts, customs officers might request additional information.

Georgia explained that they will contact Denmark bilaterally to discuss the issue.

12. The next meeting will take place in June 2023 in Tbilisi.