

EU-Georgia Association Agreement
9th Meeting of the Customs Sub-Committee
6 June 2023, Tbilisi

Joint Report

1. GENERAL INFORMATION, ORGANIZATIONAL ISSUES, PRESENTATION OF PARTICIPANTS, PRESENTATION OF THE AGENDA

The European Union delegation (EU) was chaired Mr. Fernando Perreau de Pinninck, Head of Unit A5, Trade facilitation, rules of origin and international coordination: Europe and neighboring countries and international organizations, DG TAXUD, the Co-chair of the Subcommittee from the EU. In addition, the EU was represented by EC services (TAXUD, TRADE, EEAS, NEAR, OLAF, EU delegation in Georgia) and EU Member States: SE, PL, SK, CZ, DE

Mr Samson Uridia, Co-Chair and Head of the Department for International Relations of Customs Service headed the Georgian delegation (GE). The list of participants from both EU and GE are attached.

The meeting went very well and in accordance with the annotated agenda agreed with the Council prior to the meeting. There was one addition under AOB: possibility for an information session on ICS2.

The Georgian Revenue Service welcomed the EU participants and thanked the Commission colleagues for traveling to Tbilisi. The Commission thanked for the numerous colleagues attending the meeting covering a vast area of expertise.

The European Commission thanked for the organisation of the meeting and for the good cooperation throughout the year.

2. NEW DEVELOPMENTS IN THE UCC AND THE GEORGIAN CUSTOMS CODE

The EU presented the proposal for the customs reform adopted by the Commission on 17 May.

The EU explained that it aims to put in place a simpler, smarter and safer customs union. It will establish a more cost-efficient and effective cooperation framework governing the customs union, based on EU risk management and building on a new partnership among customs authorities and between customs and businesses.

The reform is primarily meant to improve the customs processes in the EU and the governance of the EU customs union. In this respect, the creation of the EU Customs Data Hub and of the EU Customs Authority

aim to ensure that the EU Customs Union act as one in protecting the EU customs territory and the single market.

One of the key elements of the reform concerns e-commerce. The reform aims to fully align customs and VAT rules and processes relating to distance sales. The proposal makes e-commerce platforms (instead of the consumers) a key actor in ensuring that goods sold online to EU consumers comply with all customs obligations. The current customs duty relief threshold of 150€ for low value consignments will be eliminated, and platforms will collect customs duties and VAT at purchase. To facilitate the collection of customs duties, the reform introduces simplified rules for the tariff classification, valuation and origin in relation to the import of e-commerce goods.

In view of the accession to the EU, Georgia needs to align its customs legislation with the EU customs legislation in several areas. Therefore, it is possible that – once the new Union Customs Code is adopted by the EU legislator – the EU amended rules will need to be discussed with Georgia in the Customs Subcommittee.

Georgia, has explained that they continue the implementation of the new Customs code. Georgia explained that they would have the EU Duty Relief Regulation in place in 2026. Georgia also added that they have simplified the customs declaration.

Operational Conclusions:

<ul style="list-style-type: none">• Georgia and EU will regularly inform each other about the new developments in the customs codes
<ul style="list-style-type: none">• Georgia to revert on the Customs reform proposed by the Commission

3. **SANCTIONS AND SANCTIONS CIRCUMVENTION**

Georgia explained that they have introduced control for sanctions goods at the border. There is no possibility for simplification for these goods. Currently Georgia is using 16 risk profiles on sanctioned goods.

Georgia customs is in constant consultation with traders, customs has received more than 800 formal letters to conduct customs formality in advance for goods destined to RU and BY. The Customs service has issued negative replies to 152 cases.

The highest number of sanctioned goods are coming from Türkiye, the second place is Armenia.

Georgia reported several specific cases for sanctioned goods coming from CY, DE, FR, Central Asia countries.

Georgia requested the EU for the possibility to receive from the Commission quicker reply to specific requests and questions for clarification of sanctions application sent to the crisis mailbox and sanctions mailbox. Georgia explained the difficulty the customs is experiencing when suspending trucks with goods at the border waiting for the EU reply to the specific questions.

Georgia also raised the question for possible secured channel to send information on sanctions circumvention.

Georgia explained that they have participated in capacity building events on sanctions and sanctions circumvention with US partners and would appreciate if such a possibility is also organised by the EU.

Georgia reminded that it was the first partner country to request a TAIEX seminar on sanctions which took place in September 2022 when the Belgium customs officer presented all packages of sanctions (8 adopted by that time) with concrete examples of their implementation, Georgia took the possibility to raise the question of the lengthy procedure to get this seminar asking for an accelerated procedure in DG NEAR for sanctions and circumvention requests given the current difficult situation and the urgent need for customs to react.

Georgia is regularly sending to TAXUD information on transactions (also transit) of sanctioned goods from and to the EU where the Customs service is thoroughly checking the movement. The information on each case is provided to the EU MS via CRMS2. In addition, Georgia is using the Mutual Administrative Assistance protocol under the Association agreement to contact EU MS with requests for an investigation or additional information.

The EU has presented the latest 10th package of sanctions and explained that the 11th will be presented by the EU in the coming days.

The EU has also presented the risks of circumvention and requested Georgia to be vigilant and these cases.

The EU explained that a letter was sent to the Georgian Ministry of Foreign Affairs on 31 May requesting cooperation of the country by providing a List of “priority battlefield goods” and a List of “economically critical goods” for enhanced monitoring of these products mitigating the risk of sanctions circumvention.

Georgia explained that such goods cannot escape Georgian control as Georgia is halting the transactions using catch all provisions in a comprehensive way.

Both sides agreed that a regular update of the contacts lists for exchange of information on sanctions is necessary to keep the communication channels open for quick reactions.

Georgia also shared their experience on transit, colleagues explained that they control all consignments destined not only to RU and BY but also to Central Asia, Armenia, and Iran.

Operational Conclusions:

- **Speedy feedback on requests for information from Customs requested by Georgia, appoint a contact point in each MS on sanctions only to reply within 24 hours.**

<ul style="list-style-type: none"> • Provision of a prompt communication channel for sanctions related information exchange (Commission to come back)
<ul style="list-style-type: none"> • Georgia to share information on economic operators of concern
<ul style="list-style-type: none"> • Capacity building seminar/workshop to take place in the margins of the special envoy visit

4. RULES OF ORIGIN

On rules of origin, Georgia confirmed its full support as regards the revised PEM Convention on rules of origin, and the use of electronic certificates.

For the Transitional rules of origin, Georgia is ready once the text is stabilized to launch internal procedure and to accept the update within the framework of the Customs subcommittee. This update concerns permeability and electronic certificates.

As regards the implementation of the future revised PEM Convention, COM urged Georgia to update the rules of origin with all its partners and make a reference to the PEM Convention. Georgia informed COM that EFTA and Georgia should notify the update very soon. Georgia indicated that they would welcome a support of COM as regards the update with other partners (like the Republic of Moldova) as it is not always easy to concretize the implementation of a dynamic link to the Convention. COM promised to support this action (possibly via common meetings).

On the request made by CZ, on issuance of new EUR.1 certificates by Georgia, Georgia provided a specimen that will be transmitted to the customs authorities of the Member States at the next CEG-ORI on 13 June 2023.

Operational Conclusions:

<ul style="list-style-type: none"> • Continue cooperation on revision of the Convention
<ul style="list-style-type: none"> • Georgia to support the adoption of the revised convention on the Joint Committee level
<ul style="list-style-type: none"> • Continue exchange of information related to RoO and electronic solutions
<ul style="list-style-type: none"> • Georgia confirms the issuance of Certificate of Origin in question with Czech Republic and provided the document in question
<ul style="list-style-type: none"> • Request by Georgia of support by the EU with the introduction of revised rules in bilateral free trade agreements with other countries

5. CONVENTION ON A COMMON TRANSIT PROCEDURE – GEORGIA’S PREPARATION TO ACCEDE TO THE CONVENTION

Georgia has developed NCTS P5 and since 3 April 2023 the country is using the system as a national application. The Accession to the CTC will be a major change for Georgia and the country will be directly connected to EU and transit will take place easier and faster. Georgia is progressing with the legislative changes, the customs service is preparing big and small companies on what potentially NCTS means for each of them.

The Georgian customs has organised several trainings for customs officers and traders. The banks have been contacted on the guarantee issue, the country is planning study visits to several EU MS, most likely to the twinning partners PL, FI and LV.

Until that moment 87 transit authorisations have taken place using NCTS.

Georgia would need a financial support for the upgrade from NCTS P5 to NCTS P6 taking place in 2025.

TAXUD strongly recommended to GE (and to EU DEL) to ensure that EU funds are available for the extra support of GE by a contractor for the upgrade to NCTS P6.

The COM acknowledged the importance of transit for GE and the region and underlined its importance in the current sanctions’ context. COM also acknowledged the progress in the work was done until now and reminded GE to request a support if needed.

The date of accession has to be adjusted to Q2 2024 for NCTS P5 and Q2 2025 for NCTS P6.

The main risk identified until that moment is the fact that transit is operational in GE without a guarantee. A strategy is important to be identified put in place in order to support banking sector and to motivate the traders.

Operational conclusions:

• Target date for CTC accession is Q2 2024
• The Commission takes note of good progress carried out by GRS since last Sub-committee meeting
• Georgia to revert by end of June on support required for upgrading NCTS phase 5 to phase 6
• Stock taking meetings on NCTS will take place monthly
• Georgia to use Customs program for capacity building activities

6. MUTUAL ADMINISTRATIVE ASSISTANCE IN CUSTOMS MATTERS (IMPLEMENTATION OF PROTOCOL TO THE AGREEMENT); FIGHT AGAINST FRAUD

GE requested the possibility for a secured system to communicate information on fraud but also on sanctions. From GE side all request sent were delivered

OLAF indicated that a secured exchange of information using AFIS system is an option and promised to verify the possibilities for a third country to use the system.

Both sides indicated several cases of pending requests for information using MAA.

OLAF invited GE to share legislative changes to fight tobacco fraud, any smuggling route due to the ongoing war in UA.

GE has several services cooperating with each other, Customs is hosting the exchanges, however three service are working together Customs, Criminal police and Patrol police.

Operational conclusions:

• Both sides to exchange lists of pending requests/ASAP
• Georgia and the EU will continue the good cooperation especially on sanctions
• Commission to share information about OLAF's secure system/ASAP

7. BORDER ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

The EU presented the report EU enforcement of intellectual property rights: results at the EU border and in the EU internal market 2021. The report is also available on DG TAXUD's website.

Additionally, focus will be made on goods infringing IPR and arriving at the EU border from Georgia as country of provenance in the years 2021 – 2022. We would draw to the attention of Georgia that a considerable increase has been noted in certain categories of counterfeit and pirated goods.

GE requested more details about the recent cases on alcohol products in order to address the issue.

Operational conclusion:

• EU to share information on details concerning seizure of goods (alcoholic beverages) where country of provenance is Georgia by July 2023.

8. AUTHORIZED ECONOMIC OPERATOR

GE reported 7 AEO authorisations, two of the AEOs are wine producers, the rest five are importers of food products. In addition, other 5 companies are interested to become AEOs, end of this year we will have 5 more AEOs

US aid is supporting the project, since 2019 we receive a support as we have fully aligned with the EU legislation. The project is ongoing, there is also a research ongoing, GE will expects to have 20-30 new AEOs

GE is again requesting the MRA AEO with the EU, it is not only reputation issue, but also easier access to the EU market.

GE has requested MD to share their experience on AEO in order to facilitate the whole region.

The COM explained that at the moment the AEO program is under revision, this in a way has posed a pause on launching new MRAs and in addition there a queue of requests by number of countries.

However, this should not be a discouragement for GE to continue the work on the national program, the more the program is mature and developed.

Operational conclusions:

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| <ul style="list-style-type: none">• EU took note of good progress carried out by Georgia since the last Sub-committee meeting |
| <ul style="list-style-type: none">• EU to organize a technical meeting to examine next steps in July 2023 |

9. ESTABLISHMENT OF THE JOINT ROAD BORDER CROSSING POINT “ABRESHUMIS GZA - IPEK YOLU – SILK ROAD” AT THE GEORGIAN-AZERBAIJANI BORDER.

Georgia raised the question for a financial support for the construction of New Joint border crossing point at the border with the republic of Azerbaijan. Taking into consideration of unprovoked, unjustified war of aggression taking place right in the middle of European continent transit routes for land transport had been shifting to the southern corridor, this trend might have long term implication on land transit between the EU and Asia. Therefore, the construction of new joint BCP has become the top priority for Georgia and Azerbaijan. Both countries would be very grateful to have DG NEAR guidance whether it will be possible to submit the application to the EU delegation for the flagship initiative and request support to establish a new joint border crossing point.

On the BCP, NEAR has adopted the programme for AAP 2022 (under which the action is foreseen) on 16 December 2022. The Financing Agreement for the programme was signed in March 2023 that is required before starting contracting under the AAP. This means that NEAR can start financing of this project and sign the Agreement (which can take couple of more months), next

year. Therefore, Delegation plans to start negotiations with the Revenue Service and define the scope and content of the project (at the end of June already) in order to plan the project modality and timeline

Operational Conclusions:

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| <ul style="list-style-type: none">• EU committed to contribute 2 million Euros to the project |
| <ul style="list-style-type: none">• Georgia to submit detailed information and description of the project to allow the EU to initiate contracting formalities |

10. AOB

Georgia requested the possibility for a seminar information session on ICS2.

Operational conclusion:

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| <ul style="list-style-type: none">• EU ready to provide training/information to Georgian operators |
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10. OPERATIONAL CONCLUSIONS

The Operational conclusions discussed and agreed with Georgia during the meeting, indicated after each point of this report.

11. NEXT MEETING

The next meeting will be in Brussels, most likely in June 2024.