



EU-Georgia Association Agreement

5th Meeting of the Customs Sub-Committee

June 12, 2019 in Tbilisi Georgia

Joint Minutes

1. Organisational Issues

The Georgian Revenue Service welcomed the participants and emphasized the good, mutually beneficial cooperation.

DG TAXUD underlined the constructive cooperation and strong partnership of both services.

2. New Customs Code of Georgia

Georgia presented the state of play of the new customs code, which was adopted in third reading in Parliament on 28th June 2019 and will enter into force in September 2019. It is the primary legislative framework for customs activities. It is particularly important for business to have this stable legal environment and legal certainty. The draft law was discussed with civil society and shared with DG TAXUD in October 2018. The new code includes a number of novelties and simplifications for all stakeholders. An interdepartmental working group is discussing implementing provisions and planning a workshop with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on this topic.

The EU welcomed the efforts made on the new Customs Code. Harmonized rules have a positive impact on business, both for import and export, as operators are familiar with the rules. Furthermore, it is easier to exchange best practices and provide technical assistance. The EU equally thanked all partners involved, in particular from project group members. DG TAXUD also analyzed significant parts of the new code and provided comments in January 2019.

Operational conclusions:

- Georgia will regularly inform about the implementation of the code.
- Annex XIII to the Association Agreement will be revised, reflecting Georgia's approximation or relevant provisions of the Union Customs Code. The EU will prepare a first draft.
- Both sides will explore options to facilitate study visits, and other capacity building activities on implementing provisions.

3. Convention on a Common Transit Procedure

a. Report of the twinning project

Georgian Revenue Service informed about the good cooperation with the twinning partners (Finland, Poland, Latvia) and a recent study visit to Poland and Finland. Joining the Convention on a Common Transit Procedure remains a priority for Georgia. With respect to the IT component of the twinning, where Georgia expressed doubt that the ASYCUDA system can fulfil current and future requirements and is discussing whether it is still the best choice for the country.

The EU noted the progress of the twinning project and the first quarterly report 2019. On the question of the use of ASYCUDA, a discussion will take place for an informed decision at later stage.

b. Other

Georgia further noted its participation in a pilot project on transit procedures with Azerbaijan and Kazakhstan in the framework of the Central Asian Regional Economic Cooperation Program (CAREC), which Georgia joined in 2016.

4. Rules of Origin

a. Revision of the Pan-Euro-Mediterranean Convention (PEM) on Rules of Origin

EU informed about its intention to submit a revised text for a vote or position in a joint committee meeting on 27 November 2019. The EU will communicate the text before the summer break. It does not accommodate all requests from countries that still insist on modifications for specific products. A transitional period with optional application of the new rules might become necessary. Georgia is ready to start the internal process to work based on the revised text and expressed interest in a possible early application of the revised rules by introducing them in the bilateral origin protocol as rules that could apply alternatively to those of the PEM Convention.

Operational conclusion:

- The secretariat of the PEM Convention will share the revised text with a view to a vote or position by members in November 2019. Georgia expressed interest in a possible early application of the revised rules on a bilateral basis
- b. Georgia FTA negotiations with non-PEM contracting parties establishing cumulation with other PEM contracting parties

The EU emphasised its commitment to the well-functioning of the PEM Convention. While members of the Convention are free to agree on Rules of Origin and cumulation with parties outside the Convention, the different cumulation areas must be kept separately. All PEM contracting parties must have full certainty that EUR.1 certificates comply with the rules and in particular that it is ensured that any non-PEM materials are not considered as originating when the certificates are issued.

Countries are advised to prevent any doubt about overlapping cumulation, by introducing, when proofs of origin (EUR.1 certificates and invoice declarations) are issued in conformity with their agreements with non-PEM countries, an indication that they are issued in accordance with those agreements, so that they cannot be used for cumulation within the PEM zone. If this is not ensured, there could be doubts about the compliance of the PEM Convention rules by the PEM country issuing such proofs of origin and the Commission would have to warn about the risk of accepting such certificates.

Georgia took note of the explanations.

Operational conclusions:

- The EU recalled the importance of traceability and reliability. While countries are sovereign to apply cumulation with non-PEM contracting parties, the proofs of origin need a clear reference that the products concerned have been manufactured involving cumulation with materials from non-PEM countries. PEM countries should use different certificates, or otherwise have clear reference to their cumulation with other non-PEM contracting parties in the proofs of origin. For the sake of trade certainty, these provisions should better be in the agreement itself and not just in implementing provisions.
- c. Questions related to implementation

Georgia reported cases of doubt about the verification box 14 in the EUR.1 certificates. EU elaborated on the normal rules that apply. Traceability is important for preferential treatment. Duty drawback prohibition does not apply to zero tariff goods.

5. Mutual Administrative Assistance in Customs Matters

Both sides exchanged an updated list of contact points. Georgia presented information on unanswered requests for mutual administrative assistance. DG TAXUD recalled the offer to involve colleagues in OLAF.

Georgia informed about its participation in the Container Control Programme in the framework of United Nations Office on Drugs and Crime and the World Customs Organisation. This international cooperation on border management and inter-agency cooperation has a particular focus on training. Georgia joined the programme already in 2012.. The regular engagement with neighbouring countries, for instance with Ukraine, is enhancing regional cooperation and strengthening professional connections. Georgia informed about recent seizures of drugs and weapons under this programme.

Georgia informed about an increase in tobacco excise duties and a decision limiting the number of legal import of cigarettes from 400 to 200 cigarettes per person. The phenomenon of smuggling, mainly of individuals, is a concern. Another trend is a transit phenomenon of illicit tobacco trade from Armenia towards Russia. The risk management system on illicit tobacco trade has improved in recent years. Georgia further expressed intentions to ratify the FCTC Protocol to eliminate illicit trade in tobacco products.

Operational conclusion:

- Georgia will keep the EU updated about developments regarding its accession to the Protocol to the WHO Framework Convention on Tobacco Control

6. Border enforcement of Intellectual Property Rights (IPR)

Georgia and EU both presented statistics on IPR border enforcement. In Georgia, 24 out of 125 cases in 2018 were initiated ex officio. 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 50%, followed by Turkey with 35%. The overall number of cases and destructions is increasing in recent years. DG TAXUD presented figures from the Report on the EU customs enforcement of intellectual property rights for 2017.

7. Dual Use Goods

Georgia informed about areas of harmonisation to EU legislation on dual use goods. The Georgian Revenue Service plays a leading role on the policy development and enforcement. Georgia further expressed the ambition to introduce a gradual replication of the annual amendment of the EU regulations in the national control list.

8. Performance measurement

Georgia informed about three time release studies that have been conducted in Georgia in 2013, 2016 and 2019. The results show a positive development. The overall number of declarations went up, as well as the number of staff, albeit a high fluctuation of well-trained customs officials.

Operational conclusion:

- Georgia would like to assess the customs performance also in line with EU standardized indicators. To this end, Georgia inquired whether the EU can share the concrete indicators it applies under the Customs Union Performance.

9. Plans for a Georgia-Azerbaijan jointly operated Border Crossing Point (BCP)

The EU asked about plans for a joint BCP between Azerbaijan and Georgia. The Georgian Revenue Service had organised a site visit to the Red Bridge border crossing point the previous day, including the new sanitary and phytosanitary infrastructure that was constructed with EU funding and jointly co-financed by Georgia and Azerbaijan.

Georgia informed about the joint ambition for a one stop jointly operated border crossing. Discussions with the ADB on a grant for the necessary infrastructure are ongoing. The estimated costs are at 20 Mio US \$ for both Georgia and Azerbaijan.

10. Trade facilitation

- a. Planned wheat import restrictions at one BCP in Georgia

Georgia informed that the controversial decision is legally valid, but not enacted and was never applied. It is likely that the decision will be repealed before the current date of entry into force in October 2019. Importation via rail and seaport connection is in any case possible.

- b. Trade statistics

The EU informed about an internal exercise on trade preference utilization by Member States. During this exercise, significant discrepancies between EU and Georgian export and import statistics were found. A dedicate twinning on trade statistics will start this month. Georgia informed about the different definitions of 'import and export' from a trade and from a customs point of view, which could be one factor in the discrepancies.

- c. Georgian National Committee on Trade Facilitation

The new committee will be chaired by the Deputy Minister of Finance. The first meeting in July will discuss the new Customs code and the implementing provisions and other trade facilitation related matters

11. Risk management

Georgia is experimenting with positive elements in the risk assessment, whereby companies with compliant auditing and declarations, for instance in the area of taxation, are considered less likely to be in breach of customs legislation. Georgia would further like to introduce a dynamic risk information and machine learning.

12. AOB

None.

13. Operational Conclusions

The joint minutes of the meeting will be published.