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Trade facilitation related measures and approximation of Georgia's customs system with EU standards

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1) Authorized economic operator

Authorized Economic Operator (AEO) is one of the most important up-to-date European custom concept, which encourages companies to be law-abiding and to perform their activities more transparently. In return, they can gain custom preferences (advantages). Since 2009 “Golden list” project has been operating in Georgia, which was created on the bases of AEO concept, but differences between them are essential. In the frame of DCFTA, Georgia takes responsibility to implement AEO concept.

Main point of AEO and brief comparative analysis with the “Golden List” project of:

- For Authorized Economic Operator's status can apply the company, which has any kind of procedural contact with customs. It might be: Port operator, sea, railway or motor carrier, shipping agent, storage or logistic company. However “Golden list” includes importers and/or exporters and it offers procedural preferences.
- In contrary of Georgia, Authorized companies of EU countries have privileges on every stage of customs-related operations, such as: importing products in the country, logistics and storage, internal transit, presence of different tariff treatment etc.
- Status of Authorized Economic Operator may be awarded to large, as well as small and medium size companies, taking into account that selection criteria does not include companies' turnovers. As for “Golden List”, only large scale companies may join it.
- During authorization process in EU countries applicant company's activities are carefully studied (pre-audit). Evaluation process covers two directions: 1) history of law-abidingness and conscientiousness 2) organizational structure of the company, administration of internal business operations and management, which excludes probability of mistakes, as well as unconscientious decisions made by separate divisions.

Tasks to be performed by Georgia:

- Elaboration of relevant legislative base, including customs code and its statutory acts.
- Information campaign conducted by Revenue Service for raising awareness in private sector, for the purposes of introduction of AEO's advantages.
- Modernization of customs infrastructure to in order to ensure AEO's preferential services at the separate VIP service hall.
- Increase of knowledge and experience of customs inspectors, as well as AEO trainings related, exchange experience with EU countries' customs.
- It is crucial to sign agreement between EU and Georgia on mutual recognition of Authorized Economic Operators

As a result, Authorized Economic Operators in Georgia (carriers, importers, exporters, forwarders etc.) will benefit from simplified customs control procedures. It means simplifying procedures not only in Georgia, as well as in EU countries in case of products exported from Georgia by AEO.

2) Intellectual property rights related border measures

In process of import and export of goods, intellectual property rights are regulated by Georgian Law on "Intellectual property related Border Measures". During the recent year's facts of disclose of imported counterfeit goods increased:

Year	disclosed number of trading of counterfeit goods
2012	16
2013	50
2014	44
2015	73

According to the action plan elaborated by Customs Department of Revenue Service, legislative harmonization with EU in this direction will have 3 stages during the next 2 years. At the same time activities will be performed for the implementation changes in practice: workers training, providing information technology services etc.

- For the first stage measures of intellectual property rights will be spread for every kind of customs operation. Nowadays only imported and exported goods are controlled; however operations like re-exporting, temporary import etc. are out of control. During one year period changes will be implemented, which will give opportunity to control any sort of violation of intellectual property rights.

- For the second stage will be implemented the diversification of intellectual property forms subordinated by border control. Particularly 4 types of intellectual property are under customs control according to today's condition: copyright and adjacent rights, trademarks, geographical indications and appellations of origin and design. According to customs action plan during next 2 years customs control will be performed on patents and inventions, on integral microcircuit topology, new breeds of animals and plants etc.
- For the last third stage will be implemented "ex officio" principle control. The idea of this principle is that Customs have right (not obligation) to stop goods according to their own opinion and reasonable suspicion. In case of suspicion about the counterfeit goods, they do not need request from owner of intellectual property for stopping the goods. Nowadays control is implemented by initiative of intellectual property owner and in many cases they indicate by themselves about the facts of violation, so in the future initiator might be customs. Although final decision must be made with the owner of intellectual property.

Approximation of Georgian legislation with EU standards, will guarantee protection of intellectual property owners interests. Effective system of protection of intellectual property will give opportunity to produce innovative and creative products and commercialize it.

3) Convention on a common transit procedure

Common transit procedures implicate registration of transit goods relocated in EU territory in common informational system. Information about registered goods is available for every country's custom departments, which are members of convention. Existing practice of informational exchange makes easier of crossing borders and decreases time expenditure. It also gives opportunity for customs department to analyze and process registered information by other country's customs, which will help to analyze risks and make proper measures.

Since 2015 Georgia is actively working for joining convention on a common transit procedure. According to this dimension Revenue Service created working group, which consists of specialists from different departments.

Currently works are done to analyze differences between Georgian legislation and Convention requirements. Legislative approximation with the convention will be the first important step, afterwards administrative and organizational issues should be settled.

From technical viewpoint it is important to adjust informational technology system to the requirements of convention. Activities are underway to integrate Georgian Customs informational system ASYCUDA with common transit system NCTS.

It should be emphasized that Revenue Service has technical support from EU, both in legislative approximation process as well as in terms of informational technology improvement issues. From possible difficulties we should distinguish providing guarantees for transit transportation. Nowadays transit goods moving in Georgia are not provided with guarantees (free movement). One of the requests of convention is to provide guarantees for foreign transit goods moving within the country, which will cover customs taxes in case of losing goods or illegal disposal. It is of utmost importance to respectively train logistical companies operating in Georgia for changes.

4) Implementation of customs control based on risk analyzes

Customs control based on risk analyzes is implemented step by step by customs. Information technology systems is already developed, which gives opportunity to process information and detect risky transactions (so called red corridor).

For further development of this direction it is expedient to make investment in human resources. Namely: improving customs employees' analytical skills (risk analyzes), trainings and sharing international experience entail better effect.

5) Modernization of customs procedures and infrastructure

Nowadays to evaluate Georgian customs, it is very modern, in terms of infrastructural as well as procedural dimension. At the moment developing customs audit is underway, which will contribute to decrease of number of checks before goods clearance, accordingly it will decrease the customs clearance time. It is necessary to fully introduce customs audit field practice.

After customs infrastructure, next step is improvement of capabilities of laboratory examination. Examination is rare problem, which may in particular cases, entail obstacles in goods clearance and customs procedures. In case of different types of limitation or prohibition, customs need to identify qualitative parameters, and they are forced to stop goods until examination is over, which might cause significant loss for goods owner.

Laboratory examination might be outsourced but timing is critically important. Among other initiatives, it should be mentioned newly formed customs cynology agency, which gives new opportunities for fight against smuggling. Customs department actively works on dogs training program.