

**Agreement
between the Government of Georgia
and the Government of the Russian Federation
on the basic principles for a Mechanism of
customs administration and monitoring of trade in
goods**

The Government of Georgia and the Government of the Russian Federation (further on referred to as "the Contracting Parties") jointly agree to establish a Mechanism of customs administration and monitoring of all trade in goods that enters or exits predefined trade corridors as defined in Annex I in the framework of bilateral negotiations between the Parties on Russia's accession to the World Trade Organisation (WTO).

The Contracting Parties,

Willing to facilitate trade and therefore implement best practices for customs administration and monitoring of trade flows according to the standards of the World Customs Organization (WCO),

Recalling the Free Trade Agreement between the Government of the Republic of Georgia and the Government of the Russian Federation from 3 February 1994 and other relevant agreements which form a free trade area in the sense of Article XXIV of GATT 1994,

Bearing in mind relevant agreements of WTO, in particular that Members of WTO shall enter into reciprocal and mutually advantageous arrangements aimed at the substantial reduction of tariffs and other barriers to trade and at the elimination of discriminatory treatment in international commerce as well as various articles operationalizing these objectives such as GATT 94 Articles I, II, III, VIII, X, XXIV and Part III TRIPS, as well as the ongoing work in the WTO Doha-Round, especially the ones in the areas of trade facilitation and non-tariff barriers,

Recognizing the opportunity of the Russian Federation's accession to WTO as an occasion to improve transparency of trade data in the sense of Article X GATT 94,

Reaffirming the will of the Contracting Parties to fight illegal trade, including in counterfeited goods, and corruption,

Being aware that WTO commitments can be reviewed through the WTO dispute settlement mechanism,

Decide to notify data about the trade covered by this Agreement to the WTO **Integrated Data Base (IDB)**. The Contracting Parties shall transmit monthly to the Secretariat of the WTO aggregated trade data in respect of trade in goods as described in Annex I. The Contracting Parties will nominate officials responsible for transmission of the data as specified in Annex II,

Agree that all trade in goods that enters or exits predefined corridors shall be submitted to the Mechanism established by this Agreement,

Further agree that the Mechanism shall have the following functions:

- delivery and sharing of trade data,
- ensure transparency and uniform customs administration,
- facilitate customs procedures,
- enhance the efficiency of customs control measures,
- monitor customs procedures and clearance by means of checking documentation and records,
- prevent trafficking, money laundering, counterfeiting of goods, smuggling of radioactive goods, smuggling of narcotics or psychotropic substances and any other type of illegal trade,
- assist in the introduction of best practices in the management and share experiences in accordance with international standards,
- carry out risk analyses and assist in the prevention of smuggling through capacity building and special training,
- identify and, if needed, re-examine, re-assess and/or check suspicious cargo,
- implement any other measure which will increase security and enhance efficiency of customs control measures,
- guarantee the security and the confidentiality of data exchanged under the Mechanism through stringent and reliable data access control mechanisms.

The Contracting Parties further agree that the Mechanism shall consist of (a) an Electronic Data Exchange System (EDES) and (b) an International Monitoring System (IMS).

(a)The Contracting Parties decide to implement an Electronic Data Exchange System (EDES) to capture and manage trade, commercial and logistics data. It consists of:

- a common electronic data exchange platform designed to share information on all customs and trade transactions with a neutral private company,
- an advanced cargo information functionality permitting risk management by a neutral private company,
- an electronic interface between this platform and the respective customs management system which will ensure a higher level of data accuracy.

(b)The Contracting Parties decide to put in place an International Monitoring System that consists of the following elements:

- risk management by a neutral private company through assessment of data provided through EDES and physical presence at terminals as specified in Annex I,
- auditing by a neutral private company of data on trade entering or exiting trade corridors,
- electronic seals on all cargo entering trade corridors at the terminals,
- GPS/GPRS-operated trade cargo monitoring system for tracking the movement of trade cargo after its entry at terminals into the trade corridors,
- a Joint Committee as specified below.

The Contracting Parties further decide that all information related to trade that enters or exits the trade corridors, including information obtained through electronic seals and GPS will be sent to the neutral private company. Based on this information, the neutral private company will perform risk management and audit the data. It will treat the data in a strictly confidential manner and use it only for the purposes stated in this Agreement.

Based on the results of its risk management analysis, the neutral private company can recommend to the competent national customs officials to verify and check specific cargo at the terminals in the presence of a representative of the neutral private company as specified in Annex I.

The neutral private company will audit the data sent to the WTO IDB.

Each Contracting Party will regularly invite the neutral third Party to make on-site visits at the respective terminals in order to discuss lessons learned and best practices based on recommendations of the neutral private company.

The neutral third Party will facilitate agreement on the terms of reference for the activity of the neutral private company and establish the mandate for the neutral private company on the basis of results of consultation with the Contracting Parties and based on this Agreement. Such mandate and terms of reference will be identical for the activity of the neutral private company in Georgia and in the Russian Federation.

Upon the signature of this Agreement the neutral third Party will establish a list of neutral private companies with sufficient international standing and expertise to fulfill the mandate and consult the list with the Contracting Parties. On the basis of the results of this consultation the neutral third Party will select a neutral private company.

The neutral private company will be contracted by Georgia for the work of the neutral private company in Georgia and by the Russian Federation for the work of the neutral private company in the Russian Federation with the neutral third Party as a witness in each case.

The neutral private company will be accountable to the neutral third Party. It will regularly report all its findings to the Joint Committee.

The work of the neutral private company will be financed by the Contracting Parties paying the equivalent of the costs of the work of the neutral private company in the respective country to a Trust Fund administered by the neutral third Party. The installments for the financing of the neutral private company's work will be paid on a yearly basis to the Trust Fund. The first installment will cover the work for the period of one year starting on the date of entry into force of this Agreement. In addition and in order to ensure continued operation of the neutral private company both Contracting Parties will pay the equivalent of 3 months of the budget of the neutral private company into the same account as a deposit upon entry into force of the Agreement.

For the purposes of this Agreement the neutral third Party will be designated in Memoranda of Understanding between the neutral third Party and each of the Contracting Parties.

The Contracting Parties agree to establish upon the entry into force of this Agreement a Joint Committee which shall be composed of representatives of the Contracting Parties and the neutral third Party. The Joint Committee shall:

- supervise and review the implementation of this Agreement,
- endeavour to resolve disputes that may arise regarding the interpretation or application of this Agreement,
- oversee and review its further development, and
- consider any other matter that may affect the operation of this Agreement.

Each of the Contracting Parties may request at any time, through a notice in writing to the other Contracting Party, that a special meeting of the Joint Committee be held. Such a meeting shall take place within 7 days of receipt of the request, unless the Contracting Parties agree otherwise.

Three experts, one of each Contracting Party and the neutral third Party, shall be nominated by the Joint Committee to take urgent action in case one Contracting Party claims that the commitments contained in this Agreement have been violated. They shall present their recommendations to the Joint Committee within one week.

In case the Contracting Parties fail to reach the amicable settlement through the mechanism of the Joint Committee within 1 month from the first written notice of the dispute, each Contracting Party shall be unconditionally authorized to submit the dispute with regard to the interpretation, application or performance of the Agreement for the final and binding resolution to the arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitrating Disputes between Two States, as in effect on the date of the entry into force of this Agreement.

The arbitral tribunal shall be composed of three members. Each Contracting Party shall appoint one member of the tribunal and the party-appointed members shall appoint the presiding arbitrator. In case of the failure of either Contracting Party to nominate the arbitrator and/or the failure of the two party-appointed arbitrators to choose the presiding arbitrator, the Contracting Parties designate the Secretary-General of the Permanent Court of Arbitration at The Hague as an appointing authority.

The language to be used in the arbitral proceedings shall be English.

The legal seat of arbitration shall be Paris, France.

The decision of Arbitral Tribunal shall be final and binding upon the Contracting Parties.

The annexed documents Annex I and Annex II form an integral part of this Agreement.

Nothing in the legislation of the Contracting Parties shall represent an obstacle to the implementation of the present Agreement.

The present Agreement shall be reviewed every three years and may at any time be amended by mutual consent between the Contracting Parties. To be effective, amendments must be in writing.

This Agreement together with the Protocol on Conclusion of Bilateral Market Access Negotiations signed between the Contracting Parties on 28 May 2004 and the additional Protocol signed between the two Contracting Parties on 28 May 2004 form the set of agreements concluded by the two Contracting Parties in the course of the accession of the Russian Federation to the WTO.

This Agreement is done in English, Georgian and Russian, all texts being equally authentic and, in case of any divergence between the Georgian and the Russian texts, the English text shall prevail.

This Agreement enters into force on the date of the accession of the Russian Federation to the WTO.

Done at.....*Geneva*.....on.....*9 November 2011*.....

For the Government of Georgia

For the Government of the Russian Federation

.....*[Signature]*.....

.....*[Signature]*.....

ANNEX I to the Agreement between the Government of Georgia and the Government of the Russian Federation on the basic principles for a Mechanism of customs administration and monitoring of trade in goods

The Agreement will be implemented as follows:

The Electronic Data Exchange System (EDES) shall enable the neutral private company to obtain relevant data from customs declarations and advanced cargo information as defined by WCO standards and best practice and with the purpose of ensuring risk management prior to entry of the cargo into trade corridors.

The Contracting Parties will provide the neutral private company with the following set of data on all goods that enter or exit the trade corridors:

| | |
|--|---|
| Declaration | Declaration No. and date |
| Consignor / Exporter | Full name and address of the last seller of the goods prior to their importation |
| Total packages | Total No. of packages |
| Consignee | Full name and address of the consignee |
| Country of dispatch | Country of export |
| Country of origin | Country of origin |
| Country of destination | Country of destination |
| Entry terminal | A, B, C, D, E, F or none |
| Exit terminal | A, B, C, D, E, F or none |
| Identity of active means of transport crossing the border | Mode, identity and nationality of active means of transport crossing the border |
| Currency and total amount invoiced | Currency and total amount invoiced (the currency in which the commercial invoice was drawn up, the invoiced price for all goods declared) |
| Exchange rate | Exchange rate |
| Packages and description of goods; Marks and numbers - Container No(s) - Number and kind | Description of goods, packages, marks and numbers, container No(s), number and kind |
| Commodity code | Commodity code number corresponding to the item in question |
| Country of origin | Country of origin (for each item in the consignment) |
| Gross mass (kg) | Gross mass (kg) |
| Procedure | Procedure (Code) |
| Net mass | Net mass (kg) |
| Item price | Item price |
| Additional information | Additional information / documents produced / certificates and authorizations |

The data will be transmitted to the Electronic Data Exchange System (EDES) after validation by the national customs system. The information of the EDES will be available to the neutral private company. It will treat the data in a strictly confidential manner and use it only for the purposes stated in this Agreement.

The predefined trade corridors will be as following:

Corridor 1 with the following grid points (all points defined according to UTM WGS84):

Grid Point 1 : UTM 37T 576170 E / 4817809 N
Grid Point 2 : UTM 37T 570187 E / 4805195 N
Grid Point 3 : UTM 37T 741128 E / 4721408 N
Grid Point 4 : UTM 37T 734926 E / 4709359 N

Corridor 2 with the following grid points (all points defined according to UTM WGS84):

Grid Point 1 : UTM 38T 418329 E / 4725231 N
Grid Point 2 : UTM 38T 419706 E / 4726487 N
Grid Point 3 : UTM 38T 426645 E / 4715907 N
Grid Point 4 : UTM 38T 429053 E / 4715907 N
Grid Point 5 : UTM 38T 418709 E / 4699212 N
Grid Point 6 : UTM 38T 421109 E / 4695988 N
Grid Point 7 : UTM 38T 405316 E / 4693250 N
Grid Point 8 : UTM 38T 412853 E / 4692459 N
Grid Point 9 : UTM 38T 421061 E / 4645892 N
Grid Point 10 : UTM 38T 430905 E / 4647704 N

Corridor 3 with the following grid points (all points defined according to UTM WGS84):

Grid Point 1 : UTM 38T 469014 E / 4735702 N
Grid Point 2 : UTM 38T 470514 E / 4735702 N
Grid Point 3 : UTM 38T 469014 E / 4730208 N
Grid Point 4 : UTM 38T 470514 E / 4730208 N

All trade in goods that enters or exits the corridors shall be controlled and administered in accordance with the provisions of the respective national law by the national customs officials. The control and administration of this trade shall take place in customs terminals which are located at the exit/entry of the trade corridors.

In each of these terminals representatives of the neutral private company shall monitor customs procedures and clearance by means of being present during checking of documentation and records, during physical examination of goods, re-examination, re-assessment and checking of suspicious cargo, and shall verify that electronic seals are put on cargo that enters the predefined trade corridors.

The Contracting Parties shall ensure that electronic seals are applied to each trade cargo that enters a predefined trade corridor at a terminal.

The Contracting Parties shall ensure that GPS/GPRS-operated cargo tracking system is used for each trade cargo that enters a predefined trade corridor at a terminal.

In order to further define and specify the general terms stated in this document, both Contracting Parties agree to establish two bilateral working groups, dealing with matters related to IT and legal issues.

Annex II to the Agreement between the Government of Georgia and the Government of the Russian Federation on the basic principles for a Mechanism of customs administration and monitoring of trade in goods

**Contracting Parties' representatives
authorized to make contacts at
the working level¹**

| From Georgia | | From the Russian Federation | |
|----------------|---------------------|-----------------------------|---------------------|
| Representative | Contact information | Representative | Contact information |
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¹ The names of the representatives will be exchanged upon the entry into force of this Agreement.