



United Nations Economic Commission for Europe

Trade Facilitation Negotiations in the WTO: Policy challenges and needs for technical assistance of the transition economies in Eastern Europe, Caucasus and Central Asia (EECCA)

(Discussion paper for the capacity-building Workshop for CIS WTO members to support their participation in the WTO negotiations regarding trade facilitation, Chisinau, 12-13 June 2006)¹

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¹ This discussion paper has been produced by Ms. Asmat Abesadze, working for SPECTRUM Consulting, Tbilisi, Georgia, under contract for UNECE.

Project Synopsis

Background

The World Trade Organization (WTO) General Council adopted on 1 August 2004 a decision on the Doha Work Programme, generally known as the “July Package”, which defines modalities for negotiations in the current round of trade talks. Among others, the “July Package” includes “Modalities for Negotiations on Trade Facilitation”, which mandate the WTO members to launch negotiations on this issue. In concrete terms, the Modalities provide that negotiations shall aim to clarify and improve the relevant aspects of Articles V, VIII and X of the GATT 1994. They also assure that special and differential treatment for developing and least-developed countries will be taken into account, and more effective technical assistance and capacity building will be carried out as part of a collaborative approach among international organizations. This mandate was directly reflected in the Work Programme of the Negotiating Group on Trade Facilitation that started working in November 2004. Further, the members of WTO made a series of proposals for trade facilitation measures and then legal texts for a possible WTO agreement. From the Compilation of these proposals (WTO document TN/TF/W/43/Rev.6) it becomes clear that the scope of proposed measures extends beyond the GATT articles V, VIII and X, and beyond the interpretation of trade facilitation from the perspective of purely Customs issues. For example, it would not be possible to address the third negotiating objective of enhancing cooperation between Customs and other authorities involved in trade facilitation only from the perspective of Customs procedures and the three GATT Articles.

Four countries from the former Soviet Union have acceded to the WTO, namely: Kyrgyzstan (December 1998); Georgia (June 2000); the Republic of Moldova (July 2001); and Armenia (February 2003). These countries need to understand fully the scope and content of the three GATT Articles, related proposals that were put forward by WTO member States at the WTO Negotiation Group on Trade Facilitation (NGTF), and the impact of any negotiated outcome on their domestic policies, including costs and benefits. In particular, these countries must identify their needs and priorities for implementation, the impact of potential commitments and their requirements for technical assistance and, if possible, Special and Differential Treatment (SDT).

Objective and Targets.

- 1) This paper focuses on the implications for Armenia, Georgia, Kyrgyzstan, and the Republic of Moldova of the definition of issues for WTO negotiations on binding rules for trade facilitation (namely, the expansion of GATT Articles V, VIII and X). The survey and analysis for this paper are based on the summary of proposals submitted to the WTO Negotiating Group on Trade Facilitation (NGTF) in the document “WTO Negotiations on Trade Facilitation – Compilation of Member’s Proposals” (TN/TF/W/43/Rev.4, 31 October, 2005), as well as the proposals added ever since. The paper should address the following questions for each of the concerned States:
 - What are the key issues of concern to these countries?
 - What is the current level of compliance of the countries with the proposals submitted to the NGTF in the respective country?
 - What are the most likely obligations for the countries?
 - What are the potential benefits and constraints for their economies?

- What are the likely technical assistance requirements of the countries?
- What would be the implications for capacity-building and technical assistance? Have the countries already implemented the measures outlined in each concrete proposal? If not, can they cope with the implementation alone? Or would they need external assistance?
- To the extent possible, indicate the cost of needed assistance.

The paper briefly reviews existing trade facilitation instruments and tools with the objective of identifying those that could be used to ensure compliance with the proposed amendments to the three GATT Articles.

- 2) This study was prepared as a background discussion paper for the capacity-building workshop for WTO negotiators on trade facilitation. The author will present the results of the research, thus providing an opportunity for constructive dialogue. The workshop, which will be held in Chisinau in June 2006, will be co-organized by the consultant and the UNECE Secretariat. The workshop will be financed partially through the UN Development Account. It will include presentations on trade facilitation instruments available from UN/CEFACT and other sources to address the needs identified in the study.

The author of the study held meetings (whenever possible), e-mail and telephone discussions with representatives of state entities dealing with trade, transit and border-crossing procedures, import and export, as well as WTO issues in the four WTO member States. These agencies included (with variations for States and staff responsibilities):

- Ministry of Foreign Affairs (or another ministry in charge of WTO activities);
- Ministry of Finance (Customs Department);
- Ministry of State Border Control (or any Ministry in charge of State border security);
- Ministry of Economic Development (or Ministries of Transport, Trade or any other Ministry in charge for trade facilitation issues);
- Ministry of Agriculture (or any other Ministry in charge for phytosanitary inspection at the state borders and in country);
- Non-governmental organizations (NGO) active in the trade facilitation field.

1. PROGRESS OF THE WORK ON THE PROJECT

The consultant started work in December 2005 by preparing a survey and a summary based on “WTO Negotiations on Trade Facilitation – Compilation of Member’s Proposals” (WTO document TN/TF/W/43/Rev.4 from 31 October, 2005) and submitted to the respondents in Armenia, Georgia, Kyrgyzstan and the Republic of Moldova, paying special attention to the need for technical assistance, capacity building and Special and Differential Treatment (SDT). In order to gather the information the Consultant held meetings and carried out e-mail and telephone communications with representatives of public and private entities dealing with trade, transit and border-crossing procedures, import and export, as well as WTO issues.

Information on the current situation concerning the compliance of trade procedures, practices, national legislations and regulations with the proposed measures in for WTO negotiations (notably focusing on GATT Articles V, VIII and X) for Armenia, Georgia, Kyrgyzstan, and the Republic of Moldova was gathered through the survey and analyzed. State and non-

government organizations, as well as private companies were interviewed. State agencies dealing with trade facilitation or involved in foreign trade operations, including documentary procedures, transit, import and export activities, were very important sources of information. Their opinions concerning achievements and challenges in the implementation of trade facilitation measures in each country, and on the needs of each country for technical assistance and capacity-building were very informative.

The opinion of the private sector was obtained from NGOs and National Chambers of Commerce and Industry, and private freight forwarding companies, mainly through personal meetings, telephone conversations and e-mail contacts. NGO and private sector representatives provided valuable information on negative practices and approaches, which are still applied by state agencies, and which prevent full compliance of national procedures in the countries with the requirements of GATT Articles V, VIII and X, and the new proposals for WTO negotiations on trade facilitation.

Here follows a list of the most important meetings and interviews carried out by the consultant. Complete list of meetings and interviews held can be found in **Annex 1** to the present report.

Armenia.

- Ministry of Trade and Economic Development. WTO and EU Affairs Department, 11 January 2006;
- Transparency International Armenia, 11 January 2006;
- Customs State Committee of the Government of the Republic of Armenia, 12 January 2006;
- International Road Carriers Ltd Apaven, 12 January 2006;
- Ministry of Agriculture of Armenia, State Inspection for Plant Protection and Quarantine, 12 January 2006;
- Chamber of Commerce and Industry of the Republic of Armenia, 12 January 2006;

Georgia:

- Ministry of Foreign Affairs of Georgia. International Agreements and WTO Division, 14 December 2005;
- Ministry of Economic Development of Georgia. International Economic Relations Department, 21 December 2005;
- Customs Department of the Ministry of Finance of Georgia, 26 December 2005;
- Ministry of Internal Affairs of Georgia. International and Legal Affairs Office, 22 December 2005;
- Ministry of Agriculture of Georgia. Department of Veterinary. 19 December 2005;
- Georgian Chamber of Commerce and Industry, 20 December 2005;
- Maersk Georgia LLC, 18 December 2005;
- International Centre for Trade Policy and Law of Georgia, 23 December 2005;
- Permanent Representation of Georgia in Geneva Mission; 28 December 2005 and 10 January 2006;

Kyrgyzstan.

- Ministry of Industry, Trade and Tourism. WTO and Trade Negotiations Department. 27 January 2006;
- Administration of Border Security Forces of Kyrgyzstan. 13 February 2006;
- Ministry of Agriculture, Water Industry and Reprocessing Industry of Kyrgyzstan. Agriculture Policy Division. 16 February 2006;

- Representative of the Ministry of Industry, Trade and Tourism in WTO. 15 February 2006;
- Economic Researches Centre. 28 January 2006;

Republic of Moldova.

- Customs Department. Legal Division. 23 February 2006;
- State Border Security Service of Republic of Moldova. Apparatus. 23 February 2006;
- Ministry of Economy and Trade of Republic of Moldova. Directorate General Trade Regimes. 23 February 2006;
- Ministry of Agriculture and Food Industry of Republic of Moldova. Veterinary Division. 23 February 2006;
- Chamber of Commerce and Industry of the Republic of Moldova. MoldPRO. 24 February 2006.
- Permanent Representation of Republic of Moldova to UN Mission in Geneva. 4 March 2006;

The discussions with these entities were informative and respondents unanimously appreciated the timeliness and need for the current project. The WTO document *WTO Negotiations on Trade Facilitation – Compilation of Member’s Proposals* TN/TF/W/43/Rev.4 from 31 October, 2005 was presented and discussed with respondents in Georgia, Armenia, Kyrgyzstan and Moldova, as the basis for obtaining the necessary information; notably, concerning the compliance of current national procedures in force with the requirements of GATT Articles V, VIII and X and the proposals of WTO members. During the survey, the latest available version of the document was Revision 4. New proposals, included in later versions, were taken into account in the drafting of this background paper. The Project went forward in cooperation from all concerned parties. The only agency, with which the interview could not take place for objective reasons, was the State Customs Department of Kyrgyzstan. Unfortunately, the Consultant had to collect data on Customs performance from other sources. The information and material obtained were analyzed in collaboration with the UNECE secretariat, and final conclusions were elaborated.

2. OVERVIEW OF THE SITUATION IN THE VARIOUS COUNTRIES

This overview of the compliance of the countries with the proposed requirements under new WTO binding rules on trade facilitation, as well as the needs for further work on implementation and necessary external assistance, is based on the survey carried out by the consultant with representatives of the authorities and the business community in the four countries.

2.1 Armenia.

Compliance with GATT Articles V, VIII, X.

During the last three years a number of legislative changes were introduced in Armenian Laws. As a result the Armenian State entities dealing with WTO issues, transit, import and export procedures reported in the survey that they were fully compliant with the requirements of GATT Articles V, VIII and X. Yet there still exist concerns, as noted by private sector and NGO representatives dealing with trade facilitation in Armenia. All requirements of the three GATT articles are fulfilled on paper: a number of legislative changes have been put in place;

the licensing and certificate-issuing procedures were facilitated and simplified. In accordance with their country policies and action plans, the international donors (primarily USAID and the World Bank) have started to work with Armenian Customs to improve its operational performance. However, in parallel with the positive changes announced on paper and in the media, the real situation seems to be somewhat different. The State Customs Committee of Armenia is one of the most powerful government agencies, and it remains closed to NGOs, the media, and ordinary citizen in Armenia. There is no government entity in Armenia, which is allowed to supervise the activities of Customs. The procedures are simplified in accordance with laws and sub-laws, but it is not clear whether Customs performs in accordance with these procedures. Law enforcement measures are poorly implemented in Armenia; there is no monitoring of the implementation of the provisions of laws in daily activities. In a number of cases well-written laws do not work. There are still many cases of corruption in the Tax Inspection and Customs Committee. For a number of authorized companies “trade facilitation measures” specifically designed for them work really well. But for the rest of the traders the relationship with Customs is not simple. The right of appeal exists for traders on paper, but it is impossible to win a court ruling against Customs; it has a privileged status granted by Government.

The law, which regulates the transit of goods, is poorly designed in Armenia. It needs improvements to make transit through Armenia attractive and really free.

The overall performance of customs officers is not always efficient; it takes too long to get the official reply or action from Customs.

Armenia is not party to various international agreements, such as the Geneva Convention on Free Movement of Containers; this means that an empty container needs a customs declaration and is considered as “temporarily imported goods”. Armenia has not yet signed the SMGS Agreement. The current laws and regulations make Armenia less attractive for transit traffic.

The export of goods is simplified and traders do not have problems in exporting goods. Import formalities are more complicated. Customs valuation is a problem - the customs clearance value is calculated not on the basis of the amount indicated on the original invoice, but in accordance with the customs internal price list. There is a practice of pre-payment of VAT, immediately upon the arrival of goods to Armenia (this is the so called “VAT border payment”). If after the sale of the goods the actual amount of VAT, which has to be paid, is less than the pre-paid amount, the procedure of getting the difference back is very complicated. Electronic declaration of goods and pre-arrival processing / pre-clearance are considered as a good practice, but there is a catch - it is impossible to change the declaration upon arrival of the goods, even if part of the goods is damaged and should be destroyed. The damaged goods will be cleared by Customs in any case on the basis of a declaration filled in for the pre-arrival clearance.

The Government is making an effort to implement the requirements of GATT Article X.

There are a number of state web sites, booklets, and guidelines, which are available to users. But the real situation is that potential users do not consider such a type of information sources reliable. The best way of getting trade information and working with Customs is having a good customs broker. Other ways of access to updated data and having the real picture of current situation on legislative acts, rules, procedures, and required data and documentation are not reliable.

Despite the declared simplification of procedures at the border checkpoints border-crossing procedures remain unchanged. The phyto-sanitary and veterinary service representatives are

still present at the border checkpoints; their obligations are not delegated to Customs officers. The “one stop shop” and “Single Window” principles are not introduced at the border checkpoints. The distinction of “Green”, “Yellow” and “Red” corridors is not available at the border checkpoints; it works in regional Customs offices only. According to the law, the Customs escort of cargo in transit should be done only upon request by the freight forwarder. In practice, however, it is obligatory for each vehicle in transit, and there is a special fee collected by Customs for the escort service.

Taking into account the above-mentioned facts, it is clear that more should be done to achieve full compliance with the requirements of GATT Articles V, VIII and X, including the new proposals, in Armenia. Special attention should be paid to the freedom of transit and access to reliable and updated information (GATT Articles V and X).

Armenian respondents expressed the following concerns about the current conditions for traders:

- Need for law enforcement;
- Need for a proper monitoring system;
- Necessity to join a number of International Agreements and Conventions;
- Poor border infrastructure;
- Poor warehouse infrastructure;
- Poor infrastructure for phyto-sanitary and veterinary inspections;
- Need for qualified customs officers;
- Lack of regional collaboration.

Concerning the WTO Compilation of Member’s proposals on trade facilitation (TN/TF/W/43/Rev.4) - the Armenian respondents appreciate expansion of Proposals into existing Articles. The current Articles are too general and do not reflect the ideas expressed in Compilation of Proposals. The expansion of Articles in accordance with Compilation of Proposals will make them more concrete and detailed, easier for understanding the obligations and their implementation. Part of the measures indicated in the proposals is already under implementation, e.g. the proposals related to the electronic declaration of goods and the use of electronic documents.

The respondents in Armenia felt that the Compilation of proposals did not create additional obligations for Armenia, just the opposite - it would be clearer what further activities should be undertaken to achieve full compliance with the GATT Articles V, VIII, X. Expansion of the Articles in accordance with the Compilation of Proposals would be a further step ahead for trade facilitation in the region and among WTO Member States. Special interest was expressed in the proposals concerning a possible expansion of Article V and Article VIII, such as:

- Use of international Standards;
- Reduction/limitation of formalities/procedures and data/documentation requirements;
- Automation;
- Coordination of activities and requirements of all border agencies;
- Simplified clearance and release of goods;

Establishment of Single National Focal Point as a centre for communication.

There is a lack of knowledge among respondents on the contents and practical use of international standards. It is claimed that the “Single Window” principle is implemented in Customs regional offices, but it is difficult to judge to what extent this principle is understood and which type of procedures is used to maintain the “Single Window”. Respondents did not

have even theoretical knowledge on usage of electronic documents on the border checkpoints by each state entity concerned with border crossing. The respondents are not familiar with the international standards of integrated border checkpoint management. A common database is maintained, but it has differentiated levels of access. The mechanism of maintaining a common database and exchange the information is not well understood. It may be necessary to organize a workshop and conduct training on these issues for all parties concerned.

The implementation of the Proposals requires technical assistance, among others, in the areas listed below. Actually, the Ministry of Trade and Economic Development of Armenia worked out Armenia's WTO Post-Accession Technical Assistance Needs Compendium (**See Annex 3**).

In addition, other needs for technical assistance are defined as follows:

Improvement of Border Infrastructure;

- Assistance in supply of X-Ray inspection Systems at border checkpoints;
- Improvement of Customs officer performance through trainings and law enforcement;
- Assistance for the renovation of the phyto-sanitary and veterinary central laboratories;
- Assistance in supplying modern equipment for phyto-sanitary and veterinary services;
- Assistance in supplying portable (mobile) laboratories for phyto-sanitary and veterinary inspections;
- Trainings for the phyto-sanitary and veterinary staff;
- Conduct the regional workshops and seminars to increase the level of regional collaboration and information exchange.

The last issue discussed with the Armenian respondents was the need for Special and Differential Treatment (SDT). It was stated that Armenia should reach a certain point of development, and it needed SDT to achieve this objective. The respondents felt that at the WTO Ministerial Meeting in Hong Kong, in December 2005, a decision was taken to provide SDT to Armenia. The procedure will be defined in Geneva later on.

2.2 Georgia.

Compliance with GATT Articles V, VIII, X.

Trade facilitation and further development of transport infrastructure are crucially important issues for Georgia. Georgia is located on the crossroad of Europe and Asia and represents the natural corridor between the two continents. Transit transport is one of the most important aspects for the infrastructure development that will play a key role for economic growth in Georgia.

Georgia has been implementing trade facilitation measures for 10 years. But during the last two years the pressure for trade liberalization became even stronger, and a number of positive changes was introduced into laws and trade regulations. The State entities report about a full compliance with the requirements of GATT Articles V and VIII.

Positive steps were made recently, in order to eliminate wrong practices, which created challenges for transit through Georgian territory. A number of fees were abolished (e.g. a road fee, veterinary quarantine fees, disinfection fees), and it is planned to abolish all fees and charges related to the transit movement of goods. For example, a vehicle with TIR registration

does not need any more additional documentation to be filed at Customs checkpoints at the border.

To facilitate imports and exports the number of necessary licences and permissions was reduced from 900 to 150. Tariffs were reduced unilaterally.

Export procedures have been simplified; international certificates are issued by the Ministry of Economic Development free of charge, without delays. The Certificates of Origin for goods to be exported to CIS countries are issued by the Chamber of Commerce and Industry of Georgia and there is a fee to be paid by the Exporter – a certain percentage from the total cost of the contract. The business community has objected to this procedure. It is planned to change this procedure, to give the right of issuing the mentioned certificates to the Ministry of Finance of Georgia and to issue them free of charge. The fees and charges to be paid for import have been lowered. There are governmental initiatives to simplify import procedures as much as possible. One of the steps in this direction is the signing of free trade agreements; e.g. currently an FTA with Turkey is under negotiation.

Recently, a number of legislative changes came into the force. Georgian Parliament adopted the new Customs Code in March 2006. The number of customs regimes was decreased from 15 to 7. The respondents claimed that there was a “single window” service implemented at customs clearance points, and that there was a possibility of completing all paper work in one working day. The challenge is whether the Single Window principle is correctly understood.

It is planned that customs authorities will carry out the phyto-sanitary and veterinary control at the borders, and the practice of having phyto-sanitary and veterinary control representatives at the borders is eliminated. The infrastructure was improved at the Red Bridge (Azerbaijan Border, a project financed by U.S. Customs). It is planned to improve the infrastructure at Sadakhlo (Armenian border) and Kazbegi (Russian border). It is planned to build a modern customs clearance point in Tbilisi, in order to reduce paperwork done by traders. The latest version of the Automated System for Customs Data (ASYCUDA World) will be implemented in daily operations of Customs, thus improving them significantly.

In mid January 2006 it was planned to conduct a first meeting of joint interagency working group with Border Security authorities to work out a joint technological control scheme at the border checkpoints. A Standard Operation Procedures (SOP) guideline document will be finalized soon with the assistance of the German Government. This will eliminate completely the practice when border guards check not only passports but also goods and cargo.

In the nearest future there are plans to improve the Border Defense Department activities. A new Law to this effect will be submitted to Parliament for adoption, and a Border Defense Police will be created in Georgia. Currently, the border defense force consists of young people, who are subject to obligatory military draft for a –two year service. This means that the level of professionalism and efficiency is permanently low - the officers have to train new conscripts again and again. After the adoption of the new Law the Border Defense Police will employ soldiers and other staff on a contractual basis. This makes the operations of the Border Authorities much more efficient and effective.

Most challenging is the compliance with GATT Article X, Publication and Administration of Trade Regulations. Nothing has been done in Georgia to fulfill any potential obligations under this Article. There are several sites created by few NGOs, but the information presented there seems unreliable, not precise and outdated. There is no official site of the Government with information on trade procedures; there is no single point where a local/foreign trader can get

up-to-date and precise information on import/export/transit operations, legal requirements, customs regimes, procedures, etc. The efforts for the creation of a web site for traders were not coordinated; there was lack of collaboration from Customs to provide the up-to-date information. There are no publications or guidelines for traders available, where the updated information on trade issues can be found.

Recently, a customs web site was designed and a full set of information on all customs procedures was included in it. It is possible to click on a mode of cargo and the system provides full information on documentary requirements, procedures, and fees to be paid. The user can find a list of authorized customs brokers at the web site. But the web site is in Georgian at the moment. An English translation is under way with the assistance of USAID. A UNDP project to finance the publication of booklets for traders and other potential users with information on customs, border-crossing procedures will start soon. These booklets will be available at customs offices and border checkpoints.

The Chamber of Commerce intends to improve the situation and start issuing booklets and guidelines for traders. The creation of a web site would be of help. It is planned to include in it a full set of information on imports, exports, transit procedures, and other useful information. Assistance on these issues will be appreciated very much.

Despite the above-mentioned improvements and changes there is a number of constraints, which still create barriers to traders and to the transit movement of goods.

Yet the approaches to this issue are not coordinated among the parties concerned, and there is no common strategy worked out. There seems to be lack of information on changes in procedures concerning trade facilitation. There is no information available on planned changes or the ones, which are already in force. The facilitation measures are taken without agreement involving all state entities concerned, without consultations with experts in the field, and without taking into consideration the international experience.

It should be noted that the current situation in the Georgian Customs Department is rather challenging. Namely, there is a dramatic lack of skills of the Customs officers. Capacity-building and professional training are needed urgently.

The State Financial Inspection, which is authorized to control the activities of customs officers, has even the right to arrest any customs officer for minor breach of the rules. The result is total elimination of the risk management and selectivity principles from customs operations. Customs officers try to establish overall control not only for cargo, but also for physical persons, and this creates challenges for residents of Georgia and foreign traders, without any positive fiscal effect.

There is an intention to establish overall control, what makes the activities of customs officers less effective and efficient. There are no facilities ready for efficient control of goods and luggage and there is a dramatic lack of professional skills among customs officers.

The excise cargo transit movement remains too complicated, and there are no plans to improve the situation in the near future. Customs still does not have the effective tools to control the excise cargo movement.

Customs officers still look at traders as at “potential criminals”. There are efforts to change the situation, but it seems rather difficult. The documentation used at Customs is not

harmonized at all with internationally accepted standards. They try to create their own documents, which is a wrong practice. It is necessary to implement standardized e-documents to the extent possible thus significantly facilitating the procedures for traders.

The appeal procedure remains complicated and inefficient. One can wait for weeks for a reply. Customs officers avoid making decisions in non-standard situations; they try to hand over responsibility for taking decisions to senior officers, and this creates delays and inefficient decision-making. The Customs valuation of goods remains challenging for traders. Goods imported to Georgia are cleared not in accordance with the invoice, but in accordance with a price list maintained by Customs. Unfortunately, customs officers are not penalized for obliging traders to pay more than necessary. Over-payments to Customs are acceptable for the customs authorities and the Financial Inspection. That is why in each case customs officers ask for the maximum amount due for customs clearance (gathered “just is case”), without taking into consideration the origin of the goods, the invoice price, etc.

There are a number of challenges, which prevent the State Border Security Department from efficient performance and complete control of the borders. The problem of demarcation of the borders is one of the most serious for the Border Defense Authorities. The borders with neighboring Armenia and Azerbaijan are not yet identified; they are still provisional. Until the completion of the demarcation process in Georgia it will be impossible to introduce joint control checkpoints.

The Georgian borders in Abkhazia and South Ossetia should be *de jure* under the control of Georgian Border Guards, but *de facto* they are not. The border with Russia is rather difficult to control due to political tensions and the landscape – it lies in high mountains and during winter time it is nearly impossible to conduct any activities there.

Taking into account all above-mentioned remarks, it is clear that activities for full compliance with requirements of GATT Articles V, VIII and X should be continued in Georgia. Special attention should be paid to the access to reliable and updated information (GATT Article X).

Georgian respondents expressed several main concerns on the current constraints for traders. These are:

- Absence of economic development strategy of the country;
- Lack of coordination among entities concerned with trade facilitation issues;
- Lack of knowledge on WTO activities and related issues in the Government and private sector;
- Lack of knowledge on international trade issues (including documentary procedures) in the private sector;
- Lack of knowledge on international quality standards;
- Parliament is slow in the adoption of submitted legislative initiatives and new bills;
- Dramatic lack of professional skills among Customs officers;
- Poor infrastructure at border checkpoints;
- Lack of equipment.

All respondents in Georgia appreciated the possibility of expanding the GATT Articles V, VIII and X. A detailed description of the requirements will give no room for different interpretation of the Articles by the various Member States; the obligations taken under the GATT Articles will be clear and the level of compliance with them will be increased in each country. The current wording of the Articles is quite general, and it is rather complicated to assess whether or not the country fulfils the obligations under these Articles.

Concerning the WTO Compilation of Member's proposals on trade facilitation (TN/TF/W/43/Rev.4) – The Georgian approach to the expansion of the three GATT Articles and to the list of proposals is very similar to that in Armenia. Georgian respondents would appreciate the expansion of the proposals to be included into the existing Articles. The current Articles are too general and do not reflect the ideas expressed in Compilation of Proposals. Their expansion will make them more concrete and detailed, and the obligations and their implementation easier to understand.

Some of the proposals are already implemented in Georgia (e.g. non-discrimination between modes of transport; maintaining reasonable transit formalities; fees and charges are not calculated on *ad valorem* basis, etc.); implementation of others is already planned and will be completed by the end of April 2006. None of the respondents noted that additional challenges would occur in Georgia as a result of the expansion of the Articles in accordance with the Proposals. It will be clearer which further activities should be undertaken to achieve full compliance with the GATT Articles V, VIII, and X.

The idea of standardization of trade documents and implementation of e-documents is very much appreciated. But there are several constraints for this: in Georgia there is no Law on e-signature or e-commerce adopted. It is planned to introduce a bill for debate in Parliament, but this is not done yet. The awareness on the usage of e-documents is poor in the Government and among traders. It is more than necessary to conduct seminars or conferences dedicated to e-documents for various groups of potential users.

Special interest was expressed to the Proposals concerning the possible expansion of Articles V, VIII and X, such as:

- Use of international Standards;
- Use of e-documents;
- Common information database for customs and border security authorities;
- Reduction/limitation of formalities/procedures and data/documentation requirements;
- Automation;
- Coordination of activities and requirements of all border agencies;
- Simplified clearance and release of goods;
- Establishment of Single National focal Point as a centre for communication.

There was lack of knowledge among the respondents on the contents and practical use of international standards. "Single Window" principle, usage of electronic documents, and international standards of border checkpoint management - the level of knowledge on these issues is as low as in Armenia.

The implementation of the proposals requires technical assistance. Technical assistance would be needed in order to:

- Improve local legislation and harmonize it with international best practice;
- Assist the creation of information web-site for the traders, issuing booklets and guidelines for traders;
- Assist in setting up an information desk with online access to information on international trade regulations;
- Provide capacity building for the regional offices of the Chamber of Commerce;
- Conduct seminars on e-documentation and increase the awareness of governmental entities and private sector;
- Conduct seminars on international trade facilitation practices;

- Conduct seminars on WTO related issues and increase the awareness of the private sector;
- Raise awareness on standards for export products;
- Extensive trainings for customs authorities and customs officers – on-site training and study tours to Europe;
- Provide assistance for border checkpoint infrastructure improvement;
- Provide assistance with equipment for customs officers (Customs Officer's Standard Kits);
- Provide assistance in supplying the X-Ray Inspection System for Customs;
- Help in the development of a common database and standardization of documents;
- Assist in the automation of veterinary and phyto-sanitary services;
- Assist in supplying disinfection machinery for phyto-sanitary and veterinary services;
- Assist in supplying ICT equipment for phyto-sanitary and veterinary services.

On the need for **Special and Differential Treatment (SDT)**, Georgia has officially declared that the country does not belong to LDC and does not need SDT to fulfill the obligations of a WTO Member State.

2.3 Kyrgyzstan.

Compliance with GATT Articles V, VIII, X.

Kyrgyzstan was the only country, where there were difficulties in communicating with one of the main respondent - Kyrgyzstan State Customs Department. An interview was agreed, the background information papers were sent to the relevant contact persons, but the interview could not take place despite the persistence of the consultant.

Other state entities dealing with WTO and trade facilitation matters were extremely helpful and provided valuable information on the current situation concerning trade facilitation issues.

Kyrgyzstan is a land-locked country, for which the transit movement of goods and trade remain a major source of income. Kyrgyzstan is the only Central Asian country, which became member of the WTO. It undertook a number of measures towards trade liberalization in order to fulfill its obligations taken under GATT. But it suffers from the difference in trade policies and procedures with its neighbors Uzbekistan, Tajikistan, and Kazakhstan, which are not WTO members. Kyrgyz traders cannot avoid entering the territories of neighboring states to import-export and transit the goods and face a number of serious challenges (border control, traffic police control, tariffs and fees, etc.). Even China, which is a WTO member, creates discriminative procedures for Kyrgyz traders. For example, Kyrgyz trucks are allowed to enter Chinese territory up to a certain point, which is close to the border. After that point the cargo must be re-loaded onto Chinese trucks, Kyrgyz trucks and drivers are not authorized to drive around the whole territory of China.

Since 1998 a number of positive changes were introduced in the laws and trade regulations of Kyrgyzstan. State entities report about a full compliance with the requirements of GATT Articles V and VIII. They note that transit, import and export procedures are simplified. Fees are not collected on *ad valorem* basis, but in accordance with actual services provided.

The transit movement of goods and transit traffic are simplified; reportedly, there are no delays for transit goods at the borders. In March 2006, it is planned to implement new,

simplified standard operational procedures on the border checkpoints with Uzbekistan and Kazakhstan.

It is planned to set up a joint control border checkpoint with Kazakhstan. The operational procedures are under negotiations and in 2007 the pilot project will start.

Reportedly, at the border checkpoints with Kazakhstan the Single Window principle is implemented. The respondents believe that at the border checkpoints with China it is necessary to have stronger control, and the Single Window and other principles cannot be applied there. The general approach expressed by State Border Security Department was the following: due to the specific local conditions, in a number of cases it is impossible to use the international (European) experience and practices in Kyrgyzstan. The European principles and practices will not work in Kyrgyz reality and their implementation will be useless.

Actually there are a number of practices and challenges, which make questionable the statement about the full compliance with requirements of GATT Article V and VIII. Border-crossing procedures are still regulated in accordance with operational procedures worked out during Soviet times, namely, as far as the joint activities of Customs officers and Border Security services are concerned. The new Law on the State Border was adopted in 1999, but in accordance with that law border guards have the obligation to examine not only physical persons but goods and vehicles as well. In accordance with the provisions of this Law, the State Border Security service must assist Customs in the elimination of smuggling. Special attention is paid to the measures against smuggling and control at the border checkpoints with China.

Taking in account the fact, that at the border checkpoints the representatives of various state entities are still present, it is difficult to speak about a simplification of border-crossing procedures and integrated border management. The customs officers, border guards, phytosanitary, and veterinary service representatives, representatives of the Ministry of Transport, they all perform various operations at the border-crossing points and there are no plans to hand over any of their responsibilities to customs officers. There is lack of cooperation among these entities and frequent misunderstandings are observed.

The infrastructure at border checkpoints is quite poor; even providing power supply for certain border crossing points is a challenge. Each entity present at the border experiences dramatic lack of equipment. The level of automation is too low. At regional customs offices this level is higher, but providing the right equipment for the modernization of Customs still remains a challenge.

The Representative of the Ministry of Trade, Industry and Tourism of Kyrgyzstan to the WTO reports on difficulties in obtaining information on changes in laws and procedures concerning trade facilitation, or on the current status of implementation of the three GATT Articles. There is no information available on planned changes or the ones, which are already in force. It is necessary to improve the channels of communication between the various State entities and the Permanent Representative at the WTO in Geneva.

The **requirements of GATT Article X** are, reportedly, fulfilled in Kyrgyzstan. Each state entity related to trade facilitation has a web site with a full set of information on it. The update of the web sites is done regularly, but after the events of 2005, due to the frequent changes in the legislation the timely updating of information became difficult. The opinion of part of the respondents is that state sites are not reliable and they are not updated at all. At the same time access to the Internet is a challenge for a significant part of Kyrgyz residents. There are

private Advisory agencies, which run web sites for traders, and which update them once a week. These agencies provide a full set of information to any entrepreneur. Notably, all respondents stated that the level of awareness on WTO activities and international trade issues is low among the private sector and the entrepreneurs.

Consequently, it is clear that activities for full compliance with requirements of GATT Articles V, VIII and X should be continued in Kyrgyzstan. Special attention should be paid to transit and import-export procedures (GATT Articles V and VIII). With the accession of China to the TIR Convention, it will be advisable that Kyrgyzstan reinforces the implementation mechanism of this Convention.

Kyrgyz respondents expressed several concerns on current constraints for traders, including:

- Neighboring countries are not WTO members, and adopt trade policy that hurts Kyrgyzstan, given its commitments;
- Lack of knowledge on WTO matters and activities among the private sector;
- Lack of knowledge on international trade issues in the private sector;
- Lack of knowledge on international quality standards;
- Poor infrastructure on border checkpoints and regional customs offices;
- Dramatic lack of professional skills among Customs officers;
- Low level of automation;
- Lack of equipment.

All respondents in Kyrgyzstan appreciated the possibility of expanding the GATT Articles V, VIII and X. A detailed description of the binding rules will allow no room for different interpretation of the Articles by each Member State, the obligations taken under the GATT Articles will be clear, and the level of compliance with them will be increased in each country. Current wording of the Articles is quite general and it is rather complicated to assess whether or not the country fulfils its obligations.

Concerning the WTO Compilation of Member's proposals on trade facilitation (TN/TF/W/43/Rev.4) – the Kyrgyz respondents (in the same way as those from Armenia and Georgia) appreciate the idea of including the Proposals in the existing Articles. The reason for this is similar: the current Articles are too general and do not reflect the ideas expressed in the Compilation of Proposals. The expansion of the Articles in to include the Compilation of Proposals will make them more concrete and detailed, and the obligations and implementation measures easier to understand.

The Kyrgyz respondents claim a need for technical assistance on practically all proposals. The idea of standardization of trade documents and implementation of e-documents is very much appreciated. But there are several constraints for this: no laws on e-signature, e-commerce, or e-documents have been adopted in Kyrgyzstan. The bills on e-signatures and e-commerce have been introduced for Parliament debate, but no discussion has taken place yet. Awareness on the use of e-documents is poor in the Government and among traders. It is necessary to conduct seminars or conferences dedicated to e-documents for various groups of potential users.

The State Department of Border Security declared a special approach to the possibility of setting up a common database, which highlighted the following impediments: the needs of Customs and border guards are too different; there is secret information to which access is prohibited for all other entities; rather big amount of money was already been invested in creating the existing database and gathering statistical data for border guards (data input into a

new information database will require additional financing); as well as the cost of maintenance of the new database and the issue of ownership of the main server.

The respondents expressed special interest in the Proposals concerning the possible expansion of Article V and Article VIII, notably, on the following:

- Use of international Standards;
- Use of e-documents;
- Common information database for Customs and border security authorities;
- Reduction/limitation of formalities/procedures and data/documentation requirements;
- Automation;
- Coordination of activities and requirements of all border agencies;
- Simplified clearance and release of goods.

There is lack of knowledge among respondents on the contents and practical use of international standards. The “Single Window” principle is implemented in border checkpoints with Kazakhstan, but it is difficult to judge how the Single Window concept was actually understood and which types of procedures are used to maintain this “Single Window”. Respondents did not have even theoretical knowledge of the use of electronic documents (particularly at border-crossing points) by the various State entities concerned. The respondents are not familiar with the international standards of border checkpoint management, using a common database with differentiated levels of access. They do not understand the mechanism of maintaining a common database and exchange the information. One part of the respondents was of the opinion that European standards and practices could not be applied in Kyrgyzstan due to the specific local conditions and relations with neighboring countries. It may be necessary to organize an awareness-raising workshop on these issues for all parties concerned.

Implementation of the proposals requires technical assistance, notably in the following areas:

- Conduct seminars on e-documentation and increase awareness of public and private sector employees;
- Conduct seminars on international trade facilitation practices;
- Conduct seminars on WTO-related issues, especially to increase the awareness of the business community;
- Assist the improvement of border-crossing infrastructure;
- Automation of Customs, notably in their regional and border-crossing offices;
- Automation of border guard offices at border crossings; supply new equipment;
- Automation of phyto-sanitary and veterinary services; supply equipment;
- Modernization of the equipment of regional and border-crossing offices of Customs;
- Extensive training for customs authorities and customs officers: on-site training and study tours to Europe;
- Developing of a common database and standardization of documents.

On the **need for Special and Differential Treatment (SDT)** - The opinion expressed by the Ministry of Trade, Industry and Tourism was as follows: Kyrgyzstan is a low-income, land-locked country. Special and Differential Treatment is more than necessary, in order for Kyrgyzstan to fulfill its obligations as a WTO member. A representative of the Ministry of Trade, Industry and Tourism in Geneva noted that the new Government of Kyrgyzstan had not yet taken the decision on expediency of SDT for Kyrgyzstan. The position of the country is expressed in the Communication from the Kyrgyz Republic and the Republic of Moldova (TN/TF/W/74) to the WTO *Special Flexibilities and Technical Assistance and Capacity Building for Small Low-Income Countries in Transition*. The document states that “...

Members which are small low-income economies in transition [should] be also granted special flexibilities with regard to trade facilitation and be provided with an adequate technical assistance and capacity building in accordance with paragraphs 2,3,5 and 6 of Annex D of the General Council's Decision of 1 August 2004.”

2.4 Republic of Moldova.

Compliance with GATT Articles V, VIII, X.

Moldova is a land-locked country, for which trade facilitation and transport infrastructure development are crucially important. Its neighbor Romania will become EU member state, and this means that Moldova will have common border with the EU soon. A significant portion of Moldova's exports is directed to the CIS countries, as well as to the EU. The main part of Moldovan exports to the EU consists of textiles, sunflower seeds, walnut, and wine. The Government has declared European integration a major priority.

Moldova has signed 18 bilateral free trade agreements with the CIS countries (except for Tajikistan), and the Southeast European States, including Romania. The country has begun the implementation of a programme on reforming the standardization system in accordance with European requirements. The World Bank allocated technical assistance in the amount of 14m USD under the framework of its project on Private Sector Development – Enhancement of Competitiveness. The first phase of the project has started in January 2006 and will continue for three years. Another 26m USD will have to be raised in order to complete the project.

A number of legislative changes were introduced in Moldovan laws. As a result, the performance and efficiency of entities dealing with trade procedures improved significantly. Moldova state entities in charge of WTO issues and entities dealing with transit, import and export procedures report that they have achieved compliance with requirements of GATT Articles V, VIII and X.

Export procedures require the provision of a number of unnecessary documents, with overlapping or duplicating information. It is planned to simplify the procedure and eliminate several documents, e.g. the statement of absence of delayed payments to state budget. The certification procedures will be simplified in the near future - the issuing of local certificates will be eliminated.

The Moldovan Customs Administration has law enforcement functions. Customs is in charge of smuggling elimination, combating organized crime and drugs trafficking in the transport corridor area, as well as preventing illegal weapon trading in the transport corridor. In 2005, some structural changes were introduced in the Customs Service in accordance with the requirements of European integration. A new Customs Code was adopted in 2005.

The last version of ASYCUDA- ASYCUDA World was implemented in the country, and this provided the opportunity to operate in accordance with European practices – notably on such issues as Risk assessment and selectivity, maintaining the three channels at border crossings: Green, Yellow and Red. A channel is selected automatically by ASYCUDA software. The system works on border checkpoints and in the regional customs offices.

Laws on e-signature and e-commerce were adopted in 2005. This gave the possibility to start using electronic documents. It is planned to introduce electronic Customs declarations for goods during 2006. The interest of the private sector in electronic declarations is very high.

Reportedly, the “Single Window” principle is introduced at the Chisinau customs office, and this should simplify customs clearance procedures for traders significantly. Cash payment is eliminated: all fees are paid from the company bank accounts. The Customs administration is trying to convince Government to hand over to it the functions of phyto-sanitary and veterinary services at border-crossing points. Unfortunately, for the time being a positive decision has not been taken. Yet the Customs Administration, in collaboration with Moldavian Chamber of Commerce and MoldPRO, work actively on this issue and hope that progress will be made soon. As far as Moldova will have a common border with the EU soon, it will be more than necessary to harmonize border-crossing procedures with the EU practices.

A Customs broker service will be introduced soon. In March 2006, 40 prospective private customs brokers have applied to obtain licenses. The Customs Administration plans to establish a Customs broker company within the Administration. It will be difficult for private customs brokers to compete with a broker company established by customs.

Appeal procedures are not complicated and work effectively. The Chamber of Commerce and industry of Moldova noted that there were a number of court cases, in which private companies had won against the Customs Administration.

In accordance with recent changes in the Law on State Border Security, border guards are not in charge of goods and cargo inspection any more. Obligations and responsibilities of Customs and Border Security Services were defined and clearly separated, and new technological schemes of control were worked out.

There are nine border-crossing points in total at the border with Romania. It is planned to set up one more in near future. At the border with Ukraine there are 78 border-crossing points; out of them 22 are international and 24 interstate.

7 joint control points have been established on the border with Ukraine. Last year, Ukraine unilaterally stopped the joint control and established separated checkpoints at two of them for not well-known reasons. There are no bilateral agreements with Romania, which would allow for the establishment of joint checkpoints.

It is planned to start a joint EU-Moldovan project on working out a Border Management Strategy. Having a common border with Romania, which has joined the Schengen Zone and will join the EU soon, requires having in place very of precise standard operational procedures and technological schemes for each entity dealing with border-crossing procedures.

Another joint project (EU-Moldova-Ukraine) foresees the establishment of a data exchange system using a sophisticated messaging system with Moldova’s neighboring countries. This project is in a feasibility study phase.

In 2002 the informational system “Passenger” was introduced, and a border guard database was created. This database has three modules: railway, road and air transport. It is accessible for all law enforcement entities through the Ministry of Information Technologies. Yet the absence of online connection with border checkpoints (only a dial-up connection is available)

decreases the effectiveness of the system. It is very important to install an optical fiber cable, and to improve the communication potential for border security services.

The main challenge for the Customs Administration and the Border Security Department is Moldovan region of Transdnestria. This region is *de jure* under the control of Moldovan Border Guards and Customs, but *de facto* it is not under Moldovan state control. The border and customs control there is done from the Ukrainian side only.

There are other types of constraints, such as the lack of necessary equipment and poor infrastructure. The Customs Administration stresses the necessity of establishing a professional training centre for Customs officers to increase the level of their efficiency permanently.

The requirements of GATT Articles X are reportedly fulfilled rather well in Moldova. The Customs Administration maintains the web site in Moldovan language. The data is reliable and the information permanently updated. A newspaper is published, which contains all new laws and changes in the legislation. A number of private companies can provide to any entrepreneur complete information data on legal issues for trade. CDs are available containing the full set of legislation in Russian, Moldavian and English languages.

The Chamber of Commerce and Industry of Moldova has issued a customs clearance guide for entrepreneurs and customs brokers. The Chamber of Commerce and the Moldovan national trade facilitation committee (MoldPRO) issue booklets for beginners in business in Moldovan language. Training courses are organized established for beginner entrepreneurs. A monthly business catalogue is available, which includes information on the latest business news. The Chamber of Commerce maintains a Hot Line, which is quite popular among traders. The Chamber of Commerce and MoldPRO are very active. The main source of income of the Chamber is membership fees and fees for provided services. The Chamber of Commerce has 9 subsidiaries and 22 representative offices in Moldova. The Moldovan business community and the Chamber of Commerce collaborate efficiently.

The level of awareness on WTO related issues remains low among entrepreneurs. Only rather big companies are interested in international trade and WTO issues and take part in related seminars and workshops.

Taking into account the information cited above, the activities for ensuring full compliance with the requirements of GATT Articles V, VIII and X should be continued. Special attention should be paid to the requirements of GATT Articles V and VIII.

The Moldovan respondents expressed several main concerns on the current constraints for traders. These are:

- Lack of knowledge on WTO activities and related issues in the private sector;
- Lack of knowledge on international trade issues in the private sector;
- Lack of knowledge on international quality standards;
- Absence of training facilities for Customs officers;
- Absence of independent training centre for entrepreneurs and customs brokers in Chamber of Commerce;
- Absence of a training centre for phyto-sanitary and veterinary service staff;
- Poor infrastructure at the border-crossing points;
- Lack of equipment.

All respondents in Moldova appreciated the possibility of expansion of the GATT Articles V, VIII and X. The detailed description of the requirements will not give room for different interpretation of the Articles by each Member State, the obligations taken under the GATT Articles will be clear and the level of compliance with them will be increased in each country. The current wording of the Articles is quite general and it is rather complicated to assess whether or not a country fulfils the obligations under these articles.

Concerning the **WTO Compilation of Members' proposals on trade facilitation (TN/TF/W/43/Rev.4)** – the Moldovan respondents presented an approach to the expansion of Articles and Compilation of Proposals, which is similar to that of the other countries, namely that the current Articles are too general. Expanding the Articles in accordance with the Compilation of Proposals will make them more concrete and detailed, and will make the obligations and implications for implementation easier to understand.

Some of the proposed measures are already implemented in Moldova. The implementation of others is planned, but will require certain technical assistance. None of respondents thinks that additional problems would occur as a result of the expansion of the GATT Articles following the current proposals. It will be clearer what further activities should be undertaken to achieve full compliance with the GATT Articles V, VIII, and X.

The ideas of standardizing trade documents and the implementation of e-documents is very much appreciated. But knowledge on how to use e-documents is poor. It is necessary to conduct seminars or training sessions dedicated to e-documents for various groups of potential users.

Special interest was expressed in the proposals concerning:

- Use of international Standards;
- Use of e-documents;
- Common information database for customs and border security authorities;
- Reduction/limitation of formalities/procedures and data/documentation requirements;
- Automation;
- Coordination of activities and requirements of all border agencies;
- Simplified clearance and release of goods.

Respondents had limited knowledge on the use of electronic documents by the various agencies at the border. They ask for more information on international standards and European practices of integrated border management, maintaining a common database with differentiated levels of access. Workshops can be organized on these issues.

The implementation of the proposals requires technical assistance, notably in the following areas:

- Supply control equipment for Moldovan Customs (see Annex 4);
- Supply equipment for the Moldovan Customs Laboratory (see Annex 5);
- Development of control systems at border-crossing points (see Annex 6);
- Set up digital communication infrastructure for the border guard service (see Annex 7), notably, improvement of communication possibilities for Border guards (installation of optical fibre cable);
- Assistance to achieve compliance of export products with international standards;
- Establishment of a training centre at the Chamber of Commerce for entrepreneurs and customs brokers;
- Establishment of a training centre for Customs officers;

- Disinfection equipment for Phyto-sanitary and veterinary services;
- Laboratory equipment for Phyto-sanitary and veterinary services;
- Set up a common information system for Phyto-sanitary and veterinary services;
- Improvement of communication possibilities for Phyto-sanitary and veterinary services;
- Mobile laboratories for Phyto-sanitary and veterinary services;
- Automation of Phyto-sanitary and veterinary services;
- Vehicle supply for Phyto-sanitary and veterinary services;
- Assistance with developing the regulatory framework and secondary law on Phyto-sanitary and veterinary services in accordance with EU practices.

The last issue discussed with the Moldovan respondents was the need for **Special Flexibilities** (a term used by the Republic of Moldova rather than that of **Special and Differential Treatment (SDT)**). The position of the country is expressed in the Communication from the Kyrgyz Republic and the Republic of Moldova (TN/TF/W/74) to the WTO *Special Flexibilities and Technical Assistance and Capacity Building for Small Low-Income Countries in Transition*. The document states that “... *Members which are small low-income economies in transition [should] be also granted special flexibilities with regard to trade facilitation and be provided with an adequate technical assistance and capacity building in accordance with paragraphs 2,3,5 and 6 of Annex D of the General Council's Decision of 1 August 2004.*” As Moldova is the European state with the lowest income, a view has been expressed that the county should require Special Flexibilities, together with technical assistance, in order to facilitate the process of full compliance with the GATT requirements.

3. CONCLUSIONS.

The present report contains data and information obtained during meetings and e-mail/phone discussions held in Armenia, Georgia, Kyrgyzstan and Republic of Moldova. All countries confirmed that expansion of the GATT Articles in accordance with the Compilation of Proposals, detailed description of the obligations will improve the quality of the GATT, and will become the guide for consistent implementation of trade facilitation measures. Yet it is still of crucial importance to increase in each country the level of information and knowledge on trade facilitation issues, international standards, electronic documentation and other trade facilitation issues. Countries cannot accept the proposals without acquiring detailed knowledge and understanding of the measures proposed in them. Awareness rising should be a first step that should be followed by relevant technical assistance.

All countries stressed the need for technical assistance, as it would help them comply with the measures proposed for inclusion in a prospective WTO agreement on trade facilitation. They require technical assistance on all proposed measures, without exception. The only measures, which they are willing to implement without technical assistance, are in the area of adoption of new laws (e.g. laws on e-commerce and e-signature in Georgia and Kyrgyzstan). Neither of the respondents mentioned that the respective countries had enough capacity and knowledge to implement all measures indicated in the proposals.

It is important to assess the cost, and any methodology developed by other institutions (e.g. the World Bank) would be of help in the process. It is expected that the main cost requirements would be for improving infrastructure and automation. A cost assessment would need onsite evaluation of current conditions and needs. Respondents in the respective countries could not provide estimates of costs; they did not have enough information on cost

implications. It is recommended that the capacity building workshop following this study would dwell on this issue, which may become the subject for another project. The UNECE will prepare a questionnaire on problems, needs and costs related to the trade facilitation measures proposed for negotiations in the WTO, which will be distributed to the workshop participants in advance, and they will be asked to provide responses for the workshop.

Compliance with GATT Articles V, VIII and X.

Each country reports about full compliance with GATT Articles V and VIII, but the content of the articles is interpreted in different ways and trade-distorting practices are still in place.

The requirements of GATT Article X is fully ignored in Georgia only, the level of compliance in the rest of the countries is acceptable.

In all countries the lack of knowledge on various international trade facilitation issues is common among government agencies, NGO-s and the private sector. This problem is demonstrated in the case of:

- use of international standards, the principles of Single Window, one-stop-shop, risk assessment and selectivity (RAS), etc.;
- Integrated Border Management (IBM) or the coordination of activities and requirements of all border agencies;
- standardized documents (UN Layout Key for Trade Documents, etc);
- e-documents: possibilities and usage;
- common database for border agencies dealing with border-crossing procedures;
- European practices of border management - latest achievements and constraints;
- WTO activities and related issues in general.

Each of the above-mentioned topics could become the subject of capacity-building activities for all parties concerned in each State. The level of interest expressed in the above-mentioned issues was high and respondents appreciated the possibility of getting more detailed information and explanations.

Respondents expressed the main concerns and constraints for further development of international trade. Despite of several specific constraints existing in each country the main challenges were similar. The major concerns in Armenia, Georgia, Kyrgyzstan and Moldova are as follows:

Problem. Lack of regional collaboration;

Recommendation. Conduct regional workshops for parties concerned with specific objectives - exchange the information, data, experience, future plans; discussions on present problems and challenges; assistance in setting up efficient systems of notifying neighbouring countries about any legal/procedural changes;

Problem. Neighboring countries are not WTO members;

Recommendation. Support and encourage these countries in the process of WTO accession.

Problem. Lack of coordination among entities dealing with trade facilitation issues;

Recommendation. Conduct the seminars and workshops explaining the concept of trade facilitation and the issues behind it, Governmental entities supposed to implement trade facilitation measures lack proper understanding of trade facilitation. It is necessary to assess the current situation in each country. Make presentations on best international and European practices.

Problem. Lack of knowledge on WTO activities and related issues in Government and the private sector;

Recommendation. Conduct the workshops and seminars for governmental entities and private sector on WTO related issues, its role in worldwide trade, positive sides of WTO membership and future potential.

Problem. Lack of knowledge on international trade issues in private sector;

Recommendation. Conduct seminars on international trade issues for all parties interested, with special focus on the private sector. The permanent training sessions can be organized in each country in the framework of activities of, for example, the Chambers of Commerce.

Problem. Lack of knowledge on international quality standards;

Recommendation. Conduct seminars on international quality standards. The permanent training sessions can be organized in each country in the framework of activities of e.g. Chambers of Commerce.

Problem. Parliament is slow in the adopting submitted legislative initiatives and new bills;

Recommendation. Establish close cooperation with Governments and parliaments through permanent working meetings with the objective of - recommending necessary legislative changes to speed up the process of application of modern procedures and technologies, and promote trade facilitation measures.

Problem. Lack of professional skills; absence of training facilities and possibilities for customs officers, phyto-sanitary and veterinary service staff;

Recommendation. Provide assistance in establishing training centers for customs officers and phyto-sanitary and veterinary services; introduce training-the-trainers programmes.

Problem. Poor infrastructure and equipment:

- Poor infrastructure at border-crossing points;
- Poor infrastructure for phyto-sanitary and veterinary controls;
- Lack of equipment of the customs services;
- Lack of equipment of the border guard services;
- Lack of equipment of the phyto-sanitary and veterinary services;
- Low level of automation in customs, border guard and phyto-sanitary and veterinary services.

Recommendation. Assess the concrete needs of each country and provide relevant technical assistance for infrastructure improvement and supply of equipment.

The possibility of expansion of the GATT Articles V, VIII and X was appreciated in each country. The detailed description of the requirements will not give the room for different interpretation of the Articles by each Member State, the obligations taken under the GATT Articles will be clear and the level of compliance with them will be increased in each country. The current wording of the Articles is quite general, and it is rather complicated to assess whether or not a country fulfils the obligations.

WTO Compilation of Members' proposals on trade facilitation (TN/TF/W/43/Rev.4) –

The Compilation reflects the needs of countries in details. All respondents support the idea of expanding the Proposals into the existing GATT Articles. This will make them more concrete and detailed, easier for understanding the obligations and the implications for implementation. No additional problems are expected to occur for the countries as a result of the expansion of the Articles. The current level of compliance with the proposals varies from country to country, but in general it is low in all of them. Most interest in each country is paid to the following issues in the Compilation:

- Use of international Standards;
- Use of e-documents;
- Common information database for customs and border security authorities;
- Reduction/limitation of formalities/procedures and data/documentation requirements;
- Automation;
- Coordination of activities and requirements of all border agencies;
- Simplified clearance and release of goods;
- Establishment of Single National Focal Point as a centre for communication.

Each country expresses readiness to implement the proposals if relevant technical assistance is provided.

The main needs in Technical Assistance are outlined in **Table 1** of present report.

In order to be able to apply modern Customs and border management procedures to facilitate and to speed up Customs treatment, it is absolutely necessary to have an intensive program to foster cooperation between Governmental agencies, Trade, Transport and Industry. Each group should consider itself as part of a partnership. It is important to establish a close collaboration among all agencies and private agents operating at the border. Public entities and private operators should establish trust among each other (cutting short the old practice of suspicion), as partners in the supply chain process.

In order to establish such a partnership it is important that Customs authorities make available all relevant information about changes in procedures, organizational structures, publications and control requirements; in addition to any changes in the essential legislation regulating the border, namely, valuation, origin, classification, transit and documentation. The dissemination of relevant information must be done regularly, efficiently and promptly. Lack of such appropriate information is one of the main reasons for delays at the border, when in the moment of arrival at the border traders are suddenly faced with different rates and procedures than expected. The proper dissemination of information is vital to the promotion of confidence and legal certainty.

In addition, Customs administrations should provide the opportunity for traders to meet with the authorities at consultative meetings at local and headquarter level and perhaps even install permanent consultative committees with a broad remit/terms of reference to address questions

concerning existing and planned control requirements, the identification of difficulties experienced in Customs clearance and seek solutions acceptable to both Customs and traders.

Local Customs offices at the borders which are responsible for relations with the private sector and the associated officers of the neighboring countries should be informed about the national and international regulations in force in the fight against smuggling, drugs, trade in dangerous species, so that they can substantiate requests for support and assistance from traders. Internal instructions and public notices on all principal Customs procedures should be widely available so that both Customs and traders can benefit from the results.

The existence of uncontrolled territories in Georgia and Moldova slows down the process of implementing the latest international practices and technologies, as far as the risk of smuggling and security is high in these areas and setting up effective control is challenging. Conflict resolution is an important condition in the achievement of full compliance with the requirements of GATT Articles V, VIII and X and putting into practice of trade facilitation measures.

Table 1. Technical Assistance needs.

N	Project short description	Armenia	Georgia	Kyrgyzstan	Moldova	Average cost
1	Improvement of border-crossing point infrastructure	v	v	v	v	Assessment needed
2	Supply of X-Ray Inspection systems	v	v	v	v	300 000 EURO per item
3	Supply of equipment for Customs laboratories				v	Assessment needed
4	Development of control systems at border-crossing points		v		v	Approximately 1 434 000 EURO
5	Set up digital communication infrastructure for the border security service				v	Approximately 1 470 000 EURO
6	Training facilities for phyto-sanitary and veterinary services	v	v	v	v	Approximately 200 000 EURO per country
7	Training facilities for customs officers	v		v	v	Approximately 200 000 EURO per country
8	Training sessions for Customs officers	v	v	v	v	100 000 EURO per country
9	Training sessions for phyto-sanitary and veterinary services	v	v	v	v	100 000 EURO per country
10	Renovation of phyto-sanitary central laboratories	v	v	v	v	Approximately 200 000 EURO per country
11	Renovation of veterinary central laboratories	v	v	v	v	Approximately 200 000 EURO per country
12	Supply of modern equipment for phyto-sanitary and veterinary services	v	v	v	v	Assessment needed
13	Supply of mobile laboratories for phyto-sanitary and veterinary services	v	v	v	v	Assessment needed
14	Setting up a web site for traders at the Chamber of		v			Approximately 50 000 EURO

	Commerce					
15	Assistance in issuing information booklets and guides for traders and entrepreneurs		v			Approximately 80 000 EURO
16	Setting up information desks with online access to information on international trade regulations		v			Approximately 200 000 EURO
17	Capacity-building for the regional offices of the Chambers of Commerce		v			Approximately 300 000 EURO
18	Seminars and workshops on electronic documentation, UN Layout Key for Trade Documents, etc.	v	v	v	v	Approximately 30 000 EURO per country
19	Seminars and workshops on European technologies for border management	v	v	v	v	Approximately 30 000 EURO per country
20	Automation of phyto-sanitary and veterinary services	v	v	v	v	Assessment needed
21	Vehicle supply for phyto-sanitary and veterinary services		v		v	Assessment needed
22	Automation of Customs border check point offices		v	v		Assessment needed
23	Automation of border security services	v	v	v	v	Assessment needed
24	Supply of communication equipment for border security services		v	v	v	Assessment needed
25	Supply of control equipment for border security services		v	v	v	Assessment needed
26	Supply of communication equipment for phyto-sanitary and veterinary services	v	v	v	v	Assessment needed
27	Seminar and workshop on standardization of documents and common database maintenance	v	v	v	v	Approximately 30 000 EURO per country
28	Assistance in standardization of export products		v	v	v	Approximately 40 000 000 EURO per country
29	Establishment of training centre in Chamber of Commerce		v		v	Approximately

						70 000 EURO per country
30	Regulatory framework and secondary law for phyto-sanitary and veterinary services				v	Approximately 300 000 EURO

Annex 1

Annex 2

Annex 3

Annex 4

Annex 5

Annex 6

Annex 7