

WORKSHOP ON CORRIDOR DEVELOPMENT FOR CAUCASUS COUNTRIES

BACKGROUND PAPER

TRADE AND TRANSPORT FACILITATION

ARMENIA

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List of Acronyms:

AMD	Armenian Dram –domestic currency in the Republic of Armenia
CIS	Commonwealth of Independent States
FTAs	Free Trade Agreements
ECMT	European Conference for Ministries of Transport
EU	European Union
FI	Foreign Investments
FDI	Foreign Direct Investments
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
GOST	State mandatory standards applied in Former Soviet Union
HBCP	Harmonization of Border Crossing Procedures
ISO	International Organization for Standardization
ISO/IEC ISO/	International Electro-technical Commission
IT	Information Technology
RA	Republic of Armenia
SARM	Department of Standardization, Metrology and Certification
SCC	State Customs Committee
SPS	Sanitary and Phytosanitary Measures
TA	Technical Assistance
TBT	Technical Barriers to Trade
TIR	Transport International Routes
TRACECA	Transport Corridor Europe-Caucuses- Asia
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

I. Introduction:

This paper was prepared under the World Bank Trade and Transport Facilitation in South Caucasus Project to serve as a background material for the workshop organized by the Ministry of Infrastructure of Georgia, the World Bank, and the UNECE to be held in Tbilisi in May, 2004.

Trade and transport facilitation is among main objectives for economic development of South Caucasus Region. Integration and diversification were essential elements of the free market reform undertaken by Armenia since declaring independence in 1991. As a result of free international competition, substantial shifts occurred in Armenia's foreign trade flows during the recent years. In the last several years the export performance of Armenia has been very impressive. In 4 years it has increased more than twofold, from 300 million USD in 2000¹ to 678 million USD in 2003. Import is raised from 840 million USD in 2000 to 1269 million USD in 2003. At the same time, the transportation costs are extremely high. The transportation costs in Armenia are more than twice the world average and are the highest in the region.

In order to maintain and further develop the newly emerged commercial links, Armenia is ready to take active part in any regional initiative aimed at trade and transport facilitation issues, integration to the regional and world economy, and diversification of economic relations with neighboring and other countries.

The main task of the paper is to provide an overview of the existing situation in external trade and transport sectors as well as to develop solutions for improved transit and integrated border management. For these purposes the paper is organized along the following Sections:

Section II – “Present situation as experienced by Traders”

Section III – “Transit and multimodal transport integration”

Section IV – “Integrated border and corridor management”

Section V – “Exchange of information on a corridor basis”

Section VI – “Recommendations”.

II. Situation as experienced by traders:

There has been significant improvement in the external trade over the past several years. Average annual growth in exports amounted to 25.2 % with a total of 678.1 million USD in 2003. Average annual growth in imports amounted to 9.2 % with a total of 1269.4 million USD in 2003. Export and import increased for the first 3 months of 2004 and made up 14.3 % and 9.5 % correspondingly. As we can see, dynamics of export growth is higher than for import growth, which states positive changes in the trade balance.

Below given Table represents Export/Import growth from 1999 till 2003

¹ State Statistics Department of the RA.

Table N1

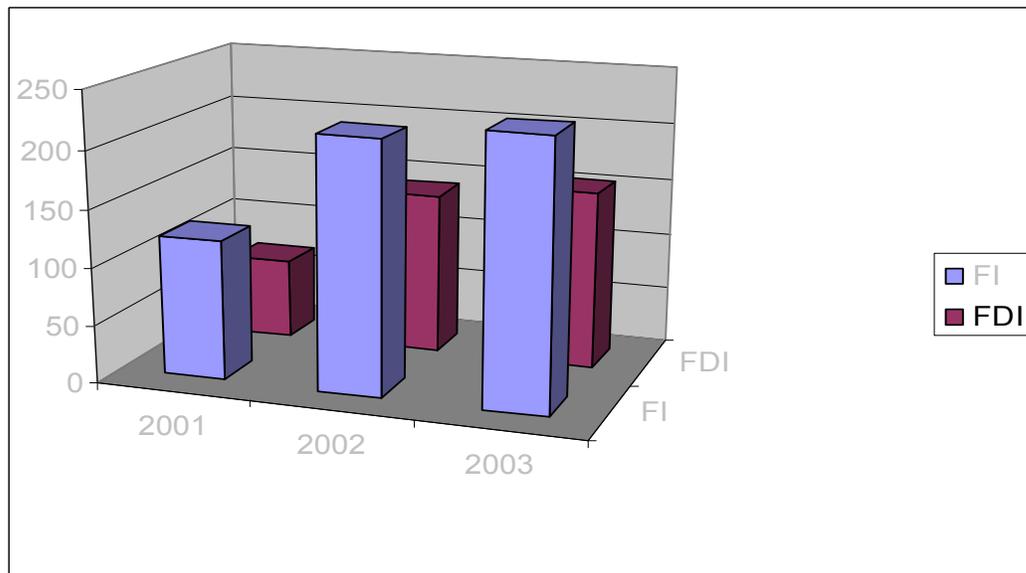
Year	Export (\$ million)	Import (\$ million)
1999	231.67	811.2
2000	300.5	884.7
2001	341.8	877.4
2002	505.2	987.15
2003	678.1	1269.4

Main Export partners for Armenia are: Belgium, Iran, Russia, Turkmenistan, USA, Georgia.

Main import partners for Armenia are: Russia, USA, Belgium, Iran, Great Britain, United Arab Emirates, Turkey, Germany, Georgia, Italy.

There are positive changes in the field of foreign investments. It was registered 5.5 % growth in the level of foreign investment (FI) in Armenia in 2003 against 2002 and 9.3% increase in the level of foreign direct investments (FDI) in 2003 against 2002. Below given chart N1 represents positive dynamics of both FI (\$ million) and FDI (\$ million) for the period of 2000-2003.

Chart N1



Multilateral and bilateral agreements

Armenia is a Member of the Treaty of Economic Union, a framework agreement signed

by nine CIS (Commonwealth of Independent States) countries in 1993 (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, and Uzbekistan). The ultimate goal of the Treaty is the establishment of a Customs Union and Common Market amongst the CIS countries. It is important to mention that the agreement does not set up a timetable or time limits for achieving the prescribed levels of integration. Bilateral free trade agreements (FTAs) have been signed with Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan and Ukraine. It can be noted that Armenia's bilateral FTAs are in compliance with the provisions of Article XXIV of GATT 1994, and that Armenia's obligations under the WTO would not conflict with its obligations under bilateral and regional trade agreements. Particularly, Armenia's FTA's cover trade in all products, and there are no specific product commitments or exclusions from FTA's.

The Partnership and Cooperation Agreement (PCA) between the European Union and Armenia was on 22 April 1996, and entered into force on 1 July 1999. The Agreement did not provide for any trade preferences.

Trade and cooperation agreements have also been signed with many non-CIS countries, including Argentina, EU, Austria, Bulgaria, Canada, China, India, Islamic Republic of Iran, Lebanon, Romania, Syria, Switzerland, Slovenia, the United States, and Vietnam. These agreements seek to strengthen economic links, but do not contain any provisions for preferential trade.

After about ten years of negotiations, Armenia became a full Member of the World Trade Organization on 5 February, 2003. The USA, the EU, Canada, and Japan apply Generalized System of Preferences (GSP) treatment to Armenia. According to European sources, Armenia is not totally utilizing the benefits under the GSP. Up to date about 78%² of businesses are not aware on the GSP and majority of business community indicated certain problems while exporting. Among the most frequently mentioned problems for traders are tax administration, transportation costs and customs bureaucracy³. Especially high transportation costs significantly hampers access of export oriented industries to regional and world markets.

Review of the legislation and regulations governing foreign trade

Documentation and information required for customs import and export controls are set out in Government Decree N1779 of November 21st, 2003, which presents a reduced requirement for documentation than was previously established in 2001. In order to conduct import-export activities, enterprises first of all must be registered in a respective regional customs house as an entity involved in foreign economic activity.

According to the customs procedures the following documents are required for customs clearance for all imports and exports:

- an invoice;
- a contract;
- consignment documents;

² AEPLAC survey conducted for 50 major export-oriented enterprises.

³ "Regulatory and Administrative Costs in Armenia/2003", FIAS Report

- a certificate on the country of origin (if an importer or exporter asks for preferential treatment).

There are also additional requirements applied to imports and exports of certain types of agricultural products for health and safety reasons. These requirements are illustrated using four groups of products: cereals, live animals, slaughtered meat and beverages. The requirements can be summarized as follows:

for cereals:

- for importation and exportation, a certificate on conformity of the goods with normative requirements applied in Armenia (as a product subject to mandatory conformity assessment)

- for importation, a phytosanitary certificate issued by the Phytosanitary Service of an exporting country;

- for importation and exportation, a conclusion on conformity with phytosanitary requirement given by the Plant Quarantine Service of the Ministry of Agriculture (for plants and products of plant origin; the list of products affected is established by Government Resolution No. 171, 11 March, 1998). Representatives of the Plant Quarantine Service are available at the customs border. The certificate should be issued within 24 hours after receiving all the required documents and taking samples.

- for importation, a conclusion given by the Ministry of Agriculture (for seeds)

for live animals:

- for importation and exportation, a conclusion on conformity with veterinary requirements (for live animals) given by the Veterinary Service of the Ministry of Agriculture. Representatives of the Veterinary Service are available at the customs border.

- for exportation, export permission given by the Ministry of Nature Protection, if animals are rare wild animals included in the Red Book of Armenia (import/export permissions are required also for other types of products, for example, pharmaceutical products (by the Ministry of Health), phytoprotection chemicals (by the Ministry of Agriculture))

for meat:

- for importation and exportation, a certificate on conformity of the goods with normative requirements applied in Armenia (as a product subject to mandatory conformity assessment)

- for importation and exportation, a conclusion on conformity with veterinary requirements (for live animals) given by the Veterinary Service of the Ministry of Agriculture. Representatives of the Veterinary Service are available at the customs border.

for beverages:

- for importation and exportation, a certificate on conformity of the goods with normative requirements applied in Armenia. One of the problems faced by importers and/or exporters during the importation and/or exportation of agricultural products is that in some cases the same type of product is subject to both mandatory conformity assessment requirements and phytosanitary (or veterinary) requirements. While the essence and the purpose of the inspection is, in fact, the same in both cases. Appropriate certificates or conclusions are given by different government authorities (State Quality Inspectorate under the Ministry of Trade and Economic Development and Phytosanitary Service under the Ministry of Agriculture respectively).

According to the *Law on Taxes* there are seven types of taxes applied in Armenia: value added tax(VAT), excise tax, profit tax, income tax, property tax, land tax, simplified tax. In particular, there are two internal taxes applied to imported and domestically produced goods and services, the VAT and the excise tax. The VAT is applied on both imported and domestic products at a rate of 20 per cent on sales of goods and services. The VAT on imported products is calculated and collected by customs bodies at the moment of importation irrespective of the country of origin.

With respect to agricultural products it has to be noted that the realization of domestically produced basic agricultural products by producers, as well as sales of veterinary drugs, fertilizers, seeds and phytprotection chemicals to agricultural producers are exempted from the VAT, while imported agricultural products are subject to VAT. However, according to the commitment undertaken by Armenia under the WTO, the VAT regime in the agricultural sector will be changed, and the VAT will be applied to the sales of domestic agricultural products and sales of veterinary drugs to agricultural producers starting from 1 January, 2009.

For domestically produced products the amount of excise tax is based on the value of turnover or the sale of goods, based on the sales prices (without excise and value added taxes). For imported products excise tax is collected by customs bodies, and the amount of excise tax is based on the customs value of imported products.

The main legislative act regulating Armenia's customs matters and setting tariffs on imports and exports is the Customs Code. The Customs Code provides for a quite liberal tariff regime on imports of products (agricultural as well as non-agricultural products) with 0 and 10 per cent ad valorem customs duty, and no duties on exports. It is worth mentioning that as a general rule 0 per cent rate is applied to capital goods and other goods used as inputs in the production process, and 10 per cent rate is applied to goods imported for final consumption. A uniform customs fee of about \$US 6.5 for customs processing and specific weight related fee of \$US 0.55 per ton for freight inspection are applied to imports. There are two taxes imposed on imports and domestic production, the value added tax on the turnover of goods and services, and the excise tax on certain goods. There are only few exceptions from the ad valorem rule. The *Law on Fixed Charges for Tobacco Products* provides that customs duties on tobacco products are levied at a fixed rate. The fixed specific charge for imported products consists of a value added tax, an excise tax, and also customs duties (and for domestic products of a value added tax and an excise tax), according to the following rates (Table N2):

Table 2

CN Code	Brief Description	Fixed charges for imports (\$ per 10000 units)	Fixed charges for domestic products (\$ per 1000 units)
2402 10 001	Cigars	3000	2200
2402 100 09	Cigarillos	30	22
2402 20 900	Cigarettes with filters	11	8

2402 20 910	Cigarettes without filters	6	3.5
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There are shortcomings related to the practical implementation of the provisions on customs valuation of imported goods of the Customs Code. The Customs Code stipulates that the customs value is calculated based on the transaction value method. However, the provisions of the Customs Code (particularly those of Article 87) give room for customs officers not use in practice the transaction value as a primary basis for valuation of imported goods by putting unreasonably burdensome documentary requirements on importers. In order to improve the situation, the Government of Armenia has made amendments in the Customs Code, but uncertainties in the provisions of the Customs Code with respect to customs valuation still give room for misinterpretation.

Non-tariff measures with respect to imports to and exports from Armenia are regulated by *Government Resolution No. 124, 29 December 1995*. According to the Resolution most imports and exports are free of any prohibitions or quotas, with the exception of those restrictions imposed for health, security and environmental reasons. Thus, pharmaceutical products and medicines as well as phytprotection chemicals are subject to import and export permissions, issued, respectively, by the Ministry of Health and the Ministry of Agriculture, in the interest of public health and safety. The items affected are listed in the mentioned *Decree No. 124* and the *Government Resolution No. 581, 20 September 2000*. In addition to this, on the grounds of health and hygiene, as well as for protection of consumer rights there are mandatory conformity assessment (mandatory certification) requirements applied to a range of foodstuffs, electrical goods, alcoholic and non-alcoholic beverages, tobacco products, and children’s clothes, etc. Mandatory conformity assessment matters are regulated by *Government Resolution No. 239, 12 May 2000*. Mandatory conformity assessment procedures are the same for imported and domestically produced products. The selection of the products subject to mandatory conformity assessment is based on the reports received from relevant inspection bodies, the Ministry of Agriculture, the Sanitary-Anti-Epidemiological State Center, consumers, and also on the data of research institutes and laboratories.

Main legislative acts regulating the fields of standardization, conformity assessment, and uniformity of measurements are the *Law on Standardization, the Law on Conformity Assessment, the Law on Uniformity of Measurements, Government Resolution No. 9, 11 January 2000*. Alongside with ensuring the safety of products and services and the protection of consumer’s rights Armenia’s legislative and regulatory system in this field aims at encouraging the use of international, regional and interstate standards such as ISO/IEC and European (EN) standards as well as at eliminating unnecessary barriers to trade. Article 7 of the *Law on Standardization* stipulates that “the requirements established by the standardization normative documents shall be based on contemporary achievements of science, engineering and technology, international, regional, interstate standards, standardization rules, norms and national standards of other countries...”. The *Law on Conformity Assessment* regulates the activities for voluntary and mandatory conformity assessment of goods and services to normative requirements. It determines the modalities for conformity assessment, conditions of product marketing and the rights and obligations of parties to conformity assessment. The Law allows the use of less

expensive and less restrictive methods of conformity assessment such as manufacturers' declaration and conformity marks. Domestic and foreign manufacturers and service providers are granted similar rights in applying declarations on the conformity of products or services. The Law on Conformity Assessment provides for recognition of foreign certificates on conformity or conformity marks for products on the basis of bilateral agreements on mutual recognition or on the basis of unilateral recognition. Those procedures are regulated by *Government Resolution No. 247, 18 May 2000*. The Resolution allows for simplified procedures on acceptance of certificates and conformity marks issued by certification bodies of other countries, if the Armenian authorities are satisfied that conformity assessment procedures in those countries offer adequate assurance of conformity, and that the safety requirements conform to those in force in Armenia. Local and foreign certification bodies and laboratories have the same rights to be accredited in Armenia's national System for conformity assessment. Armenia maintains a national inquiry point on standards and conformity assessment matters under the State Quality Inspectorate under the Ministry of Trade and Economic Development⁴.

The Law on State Agrarian Inspections defines the legal, economic and organizational principles of State Agrarian Inspections. Articles 6 and 7 of the Law outline the activities of the State Inspection Service of the Ministry of Agriculture concerning cultivation of lands, use of fertilizers, the struggle against plant diseases, insects and weeds, transportation of toxic substances and mineral fertilizers, conditions of conservation and destruction, as well as livestock breeding with respect to veterinary services.

Government Resolution No. 171, 11 March 1998 establishes "National Agrarian Rules", which deal with the protection of the population from diseases common to man and animals, the prevention and eradication of contagious and non-contagious animal diseases, transportation, conservation, use and destruction of veterinary medicaments and disinfectants. Resolution No. 171 establishes also the list of plant pests, weeds and diseases of quarantine significance for Armenia.

The Law on Plant Protection and Plant Quarantine and the *Law on Veterinary* provide for the provisions necessary for the implementation of the Law on State Agrarian Inspections.

The law on Plant Protection and Plant Quarantine defines the legal, economic and organizational principles of the State Services of Plant Protection and Plant Quarantine. It also regulates relations between farms, enterprises, organizations and individuals within Armenia, and phytosanitary controls during importation and exportation of plants and products of plant origin. The main concepts and requirements of the International Plant

⁴ Former Department of Standardization, Metrology and Certification (SARM), responsible for policy formulation, policy implementation as well as for monitoring the implementation of its policy. The responsibilities of SARM included in particular the creation and administration of national standardization and certification systems; policy formulation in the fields of standardization and conformity assessment, the adoption of national standards and classifications; the application of international standards; the publication of official information in the fields of standardization and certification; accreditation of certification bodies and testing laboratories; dealing with appeals and disputes on certification matters, etc. After structural changes in the Government of Armenia made in 2002, SARM was transformed to Armenian Quality Inspectorate and moved (with the Agency for Accreditation) under the Ministry of Trade and Economic Development.

Protection Convention are taken into account in the Law. The Law also permits the taking into consideration of the phytosanitary conditions and requirements of an importing country when issuing phytosanitary certificates. *Government Resolution No. 778, 27 August 1998*, establishes phytosanitary rules and procedures for importation and exportation of plants, products of plant origin and other items subject to regulation.

The Law on Veterinary defines the legal, economic and organizational principles of the State Services of Veterinary Medicine of Armenia. It regulates the prevention of diseases of animals, the protection of the population from diseases common to man and animals, and the provision to the population of quality products according to veterinary and sanitary conditions. The Law also establishes procedures of state veterinary inspection during importation and exportation of animals and products of animal origin, and stipulates in its Article 12 that "...Importation, exportation and transit of animals, products of animal origin and other items subject to state veterinary inspection shall be conducted in compliance with the requirements of this Law and international veterinary law".

The Law on Food Safety establishes the safety requirements with respect to food activities. The law requires ensuring the compliance with sanitary and hygienic rules during production and reproduction, importing, exporting, exchanging, keeping, packaging, selling as well as usage of food products. Provisions of Articles 7 and 12 of the law allow the use international and interstate standards with respect to imported/exported products and to testing methods, respectively.

The assessment of current situations experienced by traders is based on the analysis and comparison of the information obtained on interviews with officials and business people. In general Armenia has had considerable achievements in the process of building a sound legislative and institutional framework that meets the needs of a free market economy. It can be noted that most of the provisions of the adopted laws and regulations are in compliance with internationally accepted disciplines and rules. Legislative and regulatory system reflects Armenia's perception of the directions along which Armenia should build and develop its economy and future economic and trade relations with other countries. Particularly, it is designed to support the policy of liberalization and integration into the world economy. However, Armenia, as many transition countries in South-eastern Europe and CIS, still continues to lag well behind in terms of law implementation and enforcement, and relevant institutional performance. Accelerating the slow pace of institutional change in the less advanced transition economies is perhaps the most pressing challenge in the second decade of transition. The current institutional and resource capabilities need significant improvement in order to be sufficient for policy formulation and implementation, and in particular for proper implementation of the laws and regulations in place.

Alongside with the scarcity of financial resources, which is a common problem in state institutions, effective functioning of the institutions is constrained by the lack of qualified human resources, of necessary equipment (e.g. unsuitable laboratory equipment), etc. Extremely low level of remuneration does not allow retaining qualified people in the ministries and other relevant public agencies. There are also difficulties related to unclear delineation and separation of the functions, and to ineffective mechanisms of co-operation and coordination of activities between public as well as between public and private institutions and entities.

Analyses of main constraints for foreign trade:

Armenia has accomplished considerable legislative and institutional achievements. Review of the legislation and regulations governing foreign trade (based on the analysis and comparison of the provisions of relevant legislative acts, on the information obtained during the site visits to the customs house, as well as on interviews with officials and business people) allows to conclude that in general the legislative framework in Armenia is conducive to the effective functioning of the market as well as to facilitating foreign trade. However, at the current stage of reform process the most challenging tasks for the Government of Armenia are related to law implementation and enforcement, and relevant institutional performance. Fulfillment of these tasks is crucial for the development and strengthening of links with trading partners, as the current state of law implementation and institutional performance are not satisfactory and would hinder the development of foreign trade. Particularly, *taxes and tax administration/regulation* is believed to be the most problematic constraint very seriously hindering the growth and operations of Armenian businesses. The majority (**83.6%**) of surveyed Armenian firms⁵ judges taxes and tax regulations as a serious constraint. Different aspects of dealing with tax authorities addressed the most problematic issues such as extra-legal requirement for advance payment of taxes; frequency of changes in rules and rates; availability of information, updates on tax requirements, inspections and audits by tax authorities, frequency of reporting, tax forms/filing.

The other problem is *transportation*, especially high transportation costs, which prevents access of competitive in quality and price domestic goods to external markets. It is natural that the problem of transport costs for the RA has critical meaning.

The logistical cost of moving one TEU from N. Europe to Yerevan, by road or rail, via Poti (2002 prices)⁶

Table N 3

Transportation	Roads	Railway
Cost (\$ USD)	2770	1590
Non official Payments (%)	23-24	9
Time (Hours)	545	661

It can be easily seen that inland transportation to Armenia via Georgia is extremely expensive, both by road and by rail. The volumes of non-official payments reported by users were in the range of 6 to 13 % of the total transportation cost via the railroad, and 23-24 % via roads. Such a situation negatively affects the development of business and results in a sharp reduction of transport flows, which in its turn is economically unprofitable for the transit country as well.

⁵ “Regulatory and Administrative Costs in Armenia/2003” FIAS Report

⁶ Halcrow Report, WB, 2002, Trade and Transport Facilitation in the South Caucasus

The transportation costs of Armenian exports and imports may be considered as one of the highest in the world with the possible exception of African landlocked countries. The high level of transportation costs affects both Armenian exports and imports. A decrease of the transportation costs will raise competitiveness of Armenian export-oriented industries in the world markets.

It is worthwhile noting Armenia's foreign trade regime is quite liberal with zero and ten percent customs duties on importation of goods into Armenia, and no duties on exportation. Customs procedures for importation and exportation of goods do not create serious barriers to trade. However, the following issues regarding the *customs procedures* have to be addressed: a) the need to improve procedures with respect to customs valuation of goods imported and to assure application of transaction value method as a primary method for the valuation of goods imported, b) the need to improve the procedures for obtaining necessary certificates for agricultural products (where two overlapping lists exist), in order to avoid putting additional documentary burden on traders, d) excessive paperwork, e) explicit or implicit requirement to give bribes. Based on FIAS Report: "Regulatory and Administrative Costs in Armenia/2003", it can be noticed that on average, the process of import customs clearance lasts 4.8 days taking 2.4 person-days of management time and 4.3 person-days of staff time. On average, the process of export customs clearance lasts 7 days taking 2.3 person-days of management time and 2.8 person-days of staff time. 47.2% of export firms are eligible for VAT refund, which leads to excessive time lost. There are certain complications in obtaining Certificate of Origin (Form A) and it was indicated very low awareness among exporters on application of GSP regime.

The next problem is institutional issues to be addressed in the areas of *standardization and conformity assessment* which are related to:

- the lack of qualified human resources;
- outdated equipment in testing laboratories;
- ineffective division of tasks between government agencies involved (particularly, between the Ministry of Agriculture, the Ministry of Health and the Ministry of Trade and Economic Development);
- ineffective co-operation and coordination of activities between public as well as public and private institutions and entities;

The mentioned shortcomings create limitations for the access of Armenian products into foreign markets.

III. Transit and Multimodal Transport Integration

Armenian is a small, land locked country, most of the borders of which have been blocked by the neighbouring countries of Turkey and Azerbaijan. Land-based transit of commercial goods through the Armenian border is limited to one very poor access from Georgia, one secondary road access from Iran, and one local rail line from Georgia. Transportation infrastructure within Armenia and in the adjoining countries of Iran and Georgia are at a basic level.

The flow of cargoes crosses mainly the territory of Georgia and consequently in the framework of integration processes these corridors for Armenia have and will have paramount importance.

Transit shipment of goods and means of transportation via the RA is regulated by Articles 27, 28 of the RA Customs Code and by the RA Government Decree N 887.

Transit policy in Armenia is also based on the TRACECA Provisions. The TRACECA Program was launched at a conference in Brussels in May 1993 which brought together trade and transport ministers from the original eight TRACECA countries (five Central Asian republics and three Caucasian republics), where it was agreed to implement a program of European Union (EU) funded technical assistance (TA) to develop a transport corridor on a west - east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia. The TRACECA program has resulted in closer co-operation and dialogue among government authorities, which has led to agreements to keep transit fees at competitive levels, and efforts to simplify border crossing formalities. TRACECA's current ongoing projects are:

Common Legal Basis for Transit Transportation Description: The objective of this project is to provide guidance in the organization of a common legal basis for transit traffic in each *TRACECA* state. The sub-objective of this project will be to introduce modern technical standards conforming to those of the EU, for road vehicle characteristics and operations.

Unified Policy on Transit Fees and Tariffs Description: Determination of a unified policy and equitable levels for the imposition of road transit fees; promotion of cost accounting methodology; commercial analysis, and regional collaboration; examination of maritime fees, including port fees in detail, and to propose a commercially rationalized scale.

Harmonization of Border Crossing Procedures Description: analysis of current systems and their implementation; setting up a working group attached to the National Commissions; investigation, proposal for harmonized list of controls and documents, that conform with international norms; model documents; training and assistance with reorganization; creation of the institute of Customs Broker.

Armenian TRACECA Secretariat has initiated a series of discussions on recommendations for harmonization of border crossing procedures (HBCP) with the corresponding working groups representing Customs State Committee, Ministry of Agriculture of the RA, Armenian Railway, Association of International Road Carriers of Armenia, etc. Almost all concerned parties have suggested accomplishing more profound analyses on border crossing procedures in respect to every single customs point to fully estimate required financial support, clarify infrastructure improvements, the possibility for application of information technology. It was indicated that implementation of suggested recommendations will require review and changes in certain legal regulations, which will affect operations of state bodies involved in border control. It was suggested sampling one border crossing point to prove viability of provided recommendations. In general, problems associated with implementation of TRACECA recommendations on harmonization of border crossing procedures are mainly focused on lack of information technologies (IT) in places, and shortage of available funds.

The Customs Code implemented on 1st January 2001 regulates transit trade. According to Armenian legislation, any transport means which crosses the RA border must pay a Road

Fee and an Environmental Fee as well as any applicable Customs Fee. According to Article 27 and 28 of the Customs Code, within the framework of the transit shipment regime, customs charges are not levied, except for the customs fees and other fees in certain cases specified by law. Table N4

Table N 4

Customs mode	Customs payments					
	Customs payment	Customs duty (%)	VAT	Excise tax	Road payment for each entry or for the month	Environmental payment
“Import for free turnover”	9.500 dram	10 %	20 %	0%	0	2.500 dram
“Export for free turnover”	9.500 dram	0%	0%	0%	0	0
“Temporary import”	9.500 dram	0%	0%	0%	10.000 dram	2.500 dram
“Temporary export”	9.500 dram	0%	0%	0%	0	0

Vehicles originated and imported into the RA from states having Free Trade Agreement with the Republic of Armenia shall be exempted from customs duties and taxes provided that Certificate of Origin (CT-1) form is presented to the Republic of Armenia customs entities. It is worth to mention that for customs convoy of goods via the territory of the Republic of Armenia the Customs Fee is collected at 10,000 drams per 100 km. In the event that the vehicle of transit shipment and customs safeguard is broken, the customs convoy of goods is compulsory, while in the other cases it is performed at the forwarder’s request in writing.

Goods may travel across national frontiers with a minimum of interference by Customs administrations. By easing traditional impediments to the international movement of goods, the TIR (Transport International Routes) system encourages the development of international trade. The RA joined TIR International Convention in September 1993. By reducing delays in transit, it enables significant economies to be made in transport costs. Moreover, the revised provisions of the TIR Convention (1975) enable its advantages to be widely applied to the transport of goods in containers. Finally, in reducing the impediments to international traffic by road caused by Customs controls. It enables exporters to select more easily the form of transport most suitable for their needs.

There are two agreements promoting cooperation across borders: 1. Armenia-Georgian agreement on basic principals of transit (May, 1993), and Agreement between the Customs Administrations of Armenia and Georgia on Customs formalities for transit matters (June, 1993). Besides that Armenia is a member of the WCO (World Customs

Organization), a full member of European Conference of Transport Ministers (ECMT/April, 2003), a signatory to the TIR international convention, a plural agreement on transit trade within the framework of the CIS Economic Cooperation Treaty. This agreement provides that signatories should not tax or impede transit trade through their territories. Armenia permits unimpeded and tax-free transit of goods, with the exception of those goods whose importation is prohibited. i.e. weapons, components used in the production of weapons, explosives, nuclear materials, poisons, narcotics, strong psychotropic substances, devices for use in opium smoking, and pornographic material. Transit goods remain under customs control while they are in the Republic of Armenia.

Full membership in ECMT enables considering Armenia as a transit country. Armenian freight forwarders are allowed to freely cross borders of 40 ECMT member-states, whereas before our passenger and cargo transport operators could enter only 7 countries, with which Armenia has bilateral agreements. Armenia has been granted 200 quotas for its transporters to enter the member-countries and work there. However, a current condition of transport fleet lags far behind international standards and considerably hinders competitiveness of Armenian freight forwarders in foreign markets. Among other factors hampering transit via Armenian might be mentioned the following:

- Armenia is not signatory to International Convention on freight, Convention on trade transit of land locked countries, Convention on free transit status
- Weak legal environment for freight forwarders
- Complicated transit procedures
- Absence of modern information system
- Lack of state budget funding to maintain and recover physical infrastructure
- Poor record in traffic safety
- Lack of management skills
- Weak institutional capability in all levels of public administration

As it was mentioned above, land-based transit of commercial goods through the Armenian border is limited to one very poor access from Georgia, one secondary road access from Iran, and one local rail line from Georgia. So, Armenia is heavily dependent upon transit via Georgia. It might be concluded that alongside with already established legal framework for transit via Georgia, Armenia is still experiencing a number of problems while exporting and importing goods. Range of problems is mainly associated with extremely weak execution of existing legislative regulations and already signed agreements, burdensome of customs procedures, and poor physical infrastructure.

However, several initiatives such as construction of Bagratashen-Marneli road, construction of Kajaran Tunnel (feasibility study is already done) which will link Armenia and Iran enabling full year auto transport connection between two countries are underway in the direction of infrastructure improvement.

According to the International Railway Transport Technical Annex (article IV) of Basic Multilateral Agreement on International Transport for Europe-Caucus-Asia Corridor Development, 50 % discount for railway freight transportation should be applied among Parties. However, Georgia granting Azerbaijan 50 % discount on railway tariffs limits application of the same discount for Armenia up to 24 % for mineral oil and 17 % for the

rest of cargo. The other example for weak execution of existing treaties is filer of bilateral (Georgia-Armenia) interstate auto-transport agreement for exemption of customs duties within specified quotas.

Apart of weak execution of laws in places, other problems associated with transit via Georgia mainly refer to the following procedural shortcomings and poor infrastructure:

- Mistreatment of transportation means under the TIR carnets.
- Mandatory announcement of data in commercial invoices
- Application of two types of transit customs declarations
- Excessive paperwork for Phytosanitary and Veterinary control procedures for Armenian imports, which requires additional 2-3 days with extra payments to speed up paper processing
- Excessive paper work for transit for double-purpose goods and excise goods
- Various approaches in identification of excise goods across Georgia
- Unclear approach in identification of overloaded tracks, which lead to additional payments totaled \$ 250-300
- Armenian vehicles are required to purchase special insurance having internationally recognized and valid insurance certificate
- Freight-forwarding companies pay CCD fees and port charges in USD instead of lari.
- Backlog in maintenance
- Absence of modern information system
- Bagratashen-Marneli 30- km poor road condition
- Discrimination of Armenian cargo by “Ukrferry” Ltd. in ports Batumi and Poti.

The bulk of Armenian international trade with CIS countries is processed in Ukrainian port Ilychevsk. The Ukrainian company “UkrFerry” is the monopoly transporter of consignments to the port. During 2002 the “Ukrferry” has decided to shift operations from connecting Ilychevsk with port Poti to port Batumi. As a result, Armenian inward and outward consignments having significant share in Poti port turnover started experiencing a cost increase with a negative impact on both traders and forwarders.

Conclusions:

In general, Armenian Transport sector is experiencing the following set of problems:

- ☞ **Unresolved political and border disputes**
- ☞ **Weak local and regional legal framework for transport sector along with weak execution of existing Laws and regulations**
- ☞ **A severe shortage of funds to maintain and improve infrastructure, especially technical re-equipment of Railway**
- ☞ **Very high logistics cost (the highest in the region and in average twice higher than in the rest of the world)**
- ☞ **Underdeveloped Multimodal transport, due to the lack of economy of scale, imperfect legal environment, absence of logistics centers, complicated border crossing procedures and complicated relief**

☞ **Non Trade barriers**

In order to mitigate negative impact of mentioned-above problems, it is imperative to undertake a set of measures to improve transport environment in Armenia. The market economy dictates new directions toward development of comprehensive Transport policy in Armenia targeted at enhancement of legal environment (currently transport Law package is under consideration in the Government), further development of transport infrastructure, and capacity building in transport sector.

To address issues related to transit bottleneck via Georgia it is recommend to initiate:

- ✦ **tariff negotiations with Georgia within existing legal regulations**
- ✦ **address all issues concerning internal taxes and charges on Armenian vehicles entering into Georgian territory and being overloaded**
- ✦ **discussing customs formalities and procedures for transit of both double purpose and excise goods**
- ✦ **coordination of Agencies' work involved in Phytosanitary and Veterinary control procedures**
- ✦ **negotiations of possibility to apply incorporated transit customs declaration**
- ✦ **discussing proper treatment of transportation means under the TIR carnets**
- ✦ **One more time address issue of “UkrFerry” monopoly in ports Poti and Batumi**
- ✦ **Discuss the possibilities for speeding up construction works along Bagratashen-Marneli road.**

IV. Integrated Border and Corridor Management

The Customs activities in the RA are carried out by customs entities which are law-keeping entities. The Customs Entities of the RA are as follows:

- a) State Customs Committee under the RA Government, the superior customs entity
- b) The regional customs houses of the superior customs entity
- c) The customs points of the superior customs entity.

The superior customs entity-the State Customs Committee under the RA Government, manages, organizes and monitors all customs activities.

Customs performance indicators might be estimated as positive for the last years. 9.1 % growth of customs collections in budget revenue in 2003 against 2002 was recorded. Substantial decrease in Customs staff turnover and increase in competence of Customs officials are observed along with 40 % salary increase for Customs staff in 2003 against 2002. Certain progress has been made in infrastructure development, introduction of

export/import procedures, legal and institutional environment for border integration and exchange of information⁷.

Armenia is introducing the concept of integrated border and corridor management by

- ⌚ **Considering “Measures on procedures harmonization at the border crossing points” elaborated within the TRACECA initiative**
- ⌚ **Mobilizing efforts aimed at joining to the list of international conventions on Trade and Transport**
- ⌚ **Considering the possibility of using an advance declaration system allowing pre-clearance of goods**
- ⌚ **Establishing landline or satellite connections between customs points, between customs points and customs houses and between customs houses**
- ⌚ **Developing software that allows the automation of current manual procedures, automate current manually completed documents**
- ⌚ **Establishing database to monitor frequency of exemptions used by natural persons**

Armenia is a member of the International Convention on Harmonization of the Frontier Control of Goods (Geneva 1982). The objective of the Convention is to harmonize procedures in following areas:

- Customs control
- Sanitary medicine control
- Veterinary control
- Phitosanitary control
- Standardization

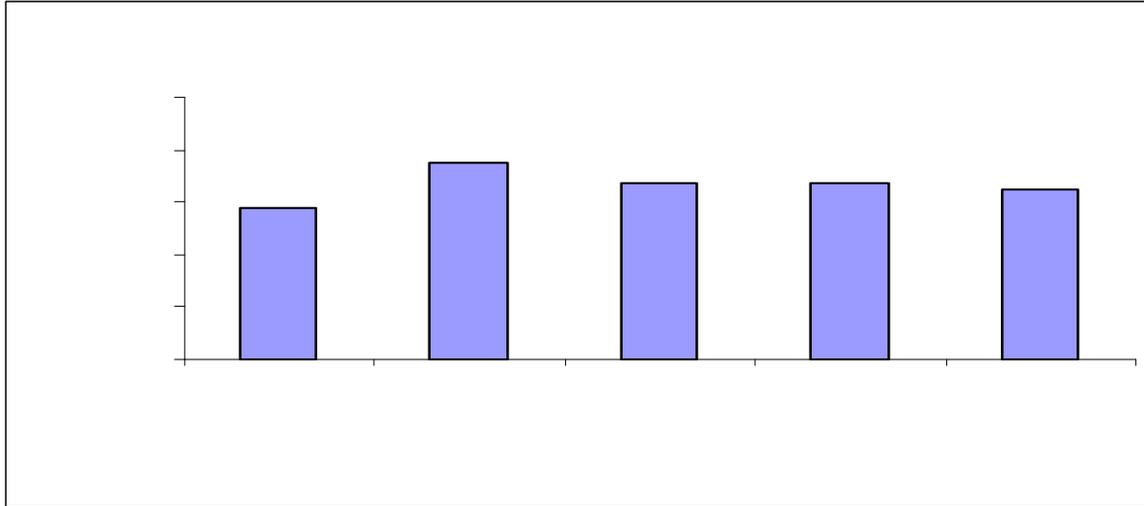
13.6% of Armenian firms gave negative evaluation to the standards and certification processes in 2003⁸. On average, the process of obtaining equipment certificates lasts 8.5 days, taking 5.1 person-days of staff time. 102 (34.0%) Armenian firms indicated that they are required to obtain certificates showing that their products or services are in accordance with the Armenian standards. Among these 102 companies, 44 are small-sized (or 27.2% from the total number of small-sized companies), 42 (or 42.0%) – medium sized and 16 (or 42.1%) – large-sized enterprises. Those firms have been able to use either analysis laboratory (38.2%) or certificate issuing agency (85.3%) for issuing such certificates.

⁷ Description of achievements is given in the Presentation outlines

⁸ FIAS Report on “Regulatory and Administrative Costs in Armenia/2003”

Traders evaluate almost all aspects of dealings with certification authorities as minor obstacles, mentioning artificial complications as the greatest problem (1.87 on a four-point scale) followed by excessive paperwork (1.69) and explicit or implicit requirement to give bribes (1.69) (1 stands for no problem, 2 – minor problem, 3 – moderate problem and 4 – major problem). Average evaluation of different aspects of dealing with certificate authorities is given below:

Chart N2



- Armenia- Georgian agreement on basic principals of transit (May, 1993)
- Agreement between the Customs Administrations of Armenia and Georgia on Customs formalities for transit matters (June, 1993)
- Bilateral agreements on cooperation on Customs Matters between Armenia and Bulgaria, Romania, Syria, Greece, Lebanon.

Dialogue between state and private sectors representatives achieved with the aid of Business Council chaired by the Prime Minister and comprising member representative of both business and government. The main purpose of the Council is to create dialog focusing on existing problems in the Armenian business environment. To address particular issues on trade and transport facilitation issues, particularly extremely high transport costs and cumbersome border crossing procedures, a ArmPro Committee was established in 2002. ArmPro is a forum of representatives from the government, private sector, international organizations, professional NGOs, industry associations, trade and transport community, and other concerned parties involved in international and regional trade. Establishment of ArmPro Committee as a mechanism for facilitation of dialogue between public and private bodies involved in trade and transport is proved to be successful initiation for Public Private Partnership in Armenia.

Along with attempts to introduce concept of integrated border management a number of bottlenecks in respect to infrastructure, procedures, institutions, and legal environment remains and needs to be addressed. Among them are:

- **Weak execution of Laws /WTO rules in places**
- **Weak enforcement of dispute resolution between Customs and traders**
- **Weak enforcement against smuggling**
- **No agreements are currently in place for mutual recognition of a neighboring country documents**
- **Lack of licensed customs brokers to execute a preliminary declaration**
- **Limited use of selectivity: 50% of all consignments are passing red channel**
- **Customs points are not eligible to perform customs clearance**
- **Poorly equipped warehouses**
- **Inadequate computerization and lack of X-ray equipment**
- **Insufficient local laboratory testing, lack of tools to perform professional searches**
- **Power supply shortage in Georgia, which is hampering the ability to track transit traffic and limiting the operating hours**

It is recommended to initiate further steps in the implementation of the concept for integrated border and corridor management:

- a. Actively cooperate to avoid a duplication of efforts among agencies**
- b. Create Single Window for both document processing and payment for all border agencies using a common payment center**

- c. **Establish teams of selected representatives involved in the processing of vehicles and consignments to simplify procedures, facilitate trade and transport, increase revenue collection**
- d. **Actively cooperate with Iran and Georgia to improve transit of trade through these two countries, to and from Armenia**

V. Exchange of Transport Information on a Corridor Basis

One of many aspects of integration in the transport sector is information. Development of the information infrastructure of transport can be carried out stage by stage with the least expensive measures carried out initially, which nevertheless will result in appreciable short-term results.

According to the procedures of trade policy formulation, all legislative initiatives have to be distributed among all relative Ministries and Government Agencies for the formulation of a common position of the government of RA. Ministries and Agencies requiring information from other government bodies may request it, and according to legislation government bodies receiving such are required to respond within a limited period of time. At the same time, the Customs Committee of the RA provides all appropriate information to the national Statistics Committee of the RA (www.armstat.am). The CSS also maintains comprehensive web site (www.customs.am) introducing information on Armenian customs law, regulations and procedures in English, Russian and Armenian, as well as frequently updated current news and information section, and a Q and A section through which respondents can pose and receive answers to specific customs questions. The site features:

- Easy to use menus and navigation
- Site map and search functionality
- Easy to follow guide materials on key Customs topics grouped by individual and corporate entities
- Customs legislation and references to the key Government decrees
- Downloadable forms (some forms are available in .pdf format)
- A news and developments section
- Links to related websites

The Armenian Customs web site was registered with and linked to the WCO web site. However, the websites provides with basic information. This information is static and infrequently. Some limited interaction with Government is possible by phone or fax.

The Customs Committee of the RA on a periodic basis provides trade related information concerning Customs activities. The Armenian State Customs Committee has published a series of information brochures on customs procedures for commercial importers and exporters, and for non-commercial importers and exporters, and on customs appeal provisions and refund procedures.

Among main purposes of increasing the level of information exchange between concerned parties is to facilitate the management and analyses of export and import data, prevention of smuggling, tracking of transit shipment of goods, etc.

The following progress has been achieved in the direction of information exchange.

- ⌚ The Customs Code has been published and a guidebook is available for the business community
- ⌚ Brochure on resolution of customs claims is published and is available for business community
- ⌚ Methodology on how to conduct customs audit is shaped and will be published soon.
- ⌚ Public-private dialogue is being facilitated through www.ttfsc.org website - to be a single information window
- ⌚ Interagency website (www.cutoms.am) with information database is in place
- ⌚ Introducing of ASYCUDA (v. 1.1.6f) version
- ⌚ Establishing of database to monitor frequency of exemptions used by natural persons in Bagratashen customs point
- ⌚ Establishing landline or satellite connections between customs points, between customs points and customs houses and between customs houses
- ⌚ Developing software that allows the automation of current manual procedures, automate current manually completed doc.

These achievements are targeted at enhancement of data exchange across borders, customs and other concerned agencies and parties involved in foreign trade

During the last two years the following major IT Deliverables have been completed within the framework of technical assistance (TA) provided to the Customs Administration:

- 1) Prepared an IT strategy and implementation plan for the Customs IT Component
- 2) Developed the specifications for the Classification and Valuation Reference System
- 3) Developed the Classification and Valuation Reference System
- 4) Developed the specifications for the Border Crossing and Exemption Control System (BCECS)
- 5) Developed the specifications for the Training Tracking System
- 6) Developed and implemented the Training Tracking System
- 7) Upgraded local area networks (LANs) at all Customs Points and Customs Houses

- 8) Conducted an ASYCUDA v.1.16f upgrade impact analysis for SCC's existing supplementary software covering over 100 management reports and 3 software modules
- 9) Successfully implemented ASYCUDA v.1.16f at the regional Customs Houses and Customs Points
- 10) Developed the security module for SCC's own reporting system to allow for selected reports on valuation to be accessed by Customs officers in the field
- 11) Developed a new Armenian language printer driver to function on the newly installed equipment
- 12) Developed the Computer Hardware and Software Inventory Subsystem
- 13) Developed a Customs Data Management and Replication System Conceptual Design Document
- 14) Developed the Customs Data Management and Replication System
- 15) Prepared and signed off the System Requirements Document for the Payments and Collections Tracking System
- 16) Developed and Tested the Payments and Collections Tracking System
- 17) Prepared the System Requirements Specification for the Vehicle Import Tracking System
- 18) Developed the Data Sharing and Integration Strategy document
- 19) Developed a Direct Trader Input (DTI) Conceptual Proposal and Broker's User Manual
- 20) A brochure setting out current Customs appeal procedures was completed and distributed to the public in November 2003.

With the assistance of international consultancy, IT gap analysis and an IT hardware and software strategy plan for Customs were completed and agreed upon with the SCC as the basis for the IT equipment procurements. As of September 30, 2003 most of the equipment has been distributed.

In preparation for upgrading the automation environment of the SCC, Local Area Network has been established within the Customs Headquarters as well as assisting in electrical upgrades and computer networking within the training center at the Araratian Customs House (CH) along with installation of a high-speed data communication link between the Customs Headquarters and the Araratian CH.

The issue of information and data sharing among Armenia's government agencies is a widespread one and it has been addressed in the Data Integration and Sharing Strategy Document prepared by international IT Advisor. This strategy document outlines the issues, discusses potential technology solutions and suggests next steps to implement, focusing primarily on XML (Extended Mark-up Language) that has become a de-facto standard for many data integration solutions worldwide. Establishment of electronic linkages and database sharing between the Customs and tax functions will enable quick and continuous communication and intelligence links between tax and customs for audit, investigations and monitoring purposes. This initiative will pave the way to move closer towards the interoperability of data between SCC and STS. However, the development of a fully integrated computerized system is practically impossible because of the division of the SCC and STS into separate organizations, which was implemented in July of 2001.

It is worth to mention that B2B interactions remain insufficient with little transparency. Faxes and telephones are commonly used to facilitate procedures orders, although some paper based transactions still required.

A number of passport readers, together with specialized software were installed at the Bagratashen Market Customs Point at the end of August 2002. The purpose of these passport readers is to provide to Customs the operational capability to verify the use of travelers' import exemptions, which by law can be used only once per calendar month at the border market crossings. When the reader reads a passport, the software stores the information in a cumulative database and identifies to the officer whether the holder of the passport has or has not used the exemption previously within the current month. Technically the system works well. However, in view of the very large numbers of people using the market, process streamlining will be required to make this system operate effectively. Simplified and streamlined operational procedures specifically for the unique situation at Bagratashen is developing, in order to facilitate, but still maintain control of, the trade at the market crossing point.

A handbook containing the Customs Service Law and all regulations and decrees made pursuant to the Law was prepared and distributed to all employees of the Customs Committee.

Explanatory brochures on Customs provisions for Commercial importers and exporters, for Travelers and Non-Commercial importers and exporters, and on the Customs Valuation provisions of the Customs Code, were developed by consulting company BearingPoint, approved by the Customs Committee and, beginning in May 2003, disseminated widely to the public (1300 copies of each brochure have been distributed to date through Ministries, NGOs and international agencies, who have requested an additional 600 copies of each brochure to meet current public demand).

The Customs Code was amended in April 2003 to permit Customs audit activity to take place after the goods have been cleared through the Customs import process. The Chairman of the Customs Committee issued an Order on July 29, 2003, establishing a procedure for SCC departments to request the Chairman's approval for the conduct of an audit, and designated the Tariff Regulation Department as the coordinator of the process. The Order also required the preparation of a monthly report to the Chairman on the results of audits conducted. Project staff, in cooperation with the Head of the Tariff Regulation Department and the Head of the Methodology Department, completed an Audit Procedures Manual in January 2004. A Customs Post Importation Audit Unit was established in the SCC in February 2004.

These achievements are targeted at enhancement of data exchange across borders, customs and other concerned agencies and parties involved in foreign trade

Conclusions:

One of many aspects of integration in the trade and transport sectors is information. In this case it is expedient to initially include such measures as the creation of a uniform information space uniting manufactures and consumers of transport production of the

South Caucasus countries. This purpose can be achieved with use of opportunities of the Internet network allowing consolidation of the appropriate users at various levels. Internet allows to organize information space in such a manner that various participants being incorporated into different information communities will exchange information on a permanent base.

Taking into account the limited capacities of relevant government bodies (scarcity of financial and technical means,) further technical assistance from international organizations and donor countries can be of great importance, and thus in order to obtain the needed assistance and to make best use of it the Government of Armenia shall pay due consideration in identifying its need before the donor community. In this context, the specific areas of concern are transit and transport development, integrated border and corridor management, data exchange across borders, among customs and other concerned agencies and parties involved in foreign trade and transport.

VI. Recommendations:

Establishment of the necessary political will is a foundation stone upon which all other factors have to rest for further regional integration of South Caucasus countries. In this direction it is recommended following below given steps to achieve transport and trade integration over the region:

Table N5

<ul style="list-style-type: none"> ④ Perfection of transport and trade legal framework across region ④ Construction and upgrading of roads and railway lines and installation of related combined transportation ④ Harmonization of Customs Procedures across borders ④ Improvement in coordination of international organizations (ECMT, UN ECE, UC, WB, EBRD, and others) to maximize synergy and minimize overlapping activities in the region ④ Human capital development, constant coordination of educational programs in all levels across region 	
Transit and Transport Integration	Integrated Border and Corridor Management
<ul style="list-style-type: none"> ③ Initiate tariff negotiations within existing legal framework ③ Address all issues concerning internal taxes and charges on Armenian vehicles entering into 	<ul style="list-style-type: none"> ③ Actively cooperate to avoid a duplication of efforts among concerned agencies ③ Create Single Window for both document processing and payment

<p>Georgian territory and being overloaded</p> <ul style="list-style-type: none"> ③ Discuss customs formalities and procedures for transit of both double purpose and excise goods ③ Coordinate activities of Agencies involved in Phytosanitary and Veterinary border control procedures ③ Negotiate possibility to apply incorporated transit customs declaration ③ Discuss proper treatment of transportation means under the TIR carnets ③ One more time address issue of “UkreFerry” monopoly in ports Poti and Batumi ③ Discuss the possibilities for speeding up construction works along Bagratashen-Marneli road ③ Actively cooperate with Iran and Georgia to improve transit of trade through these two countries, to and from Armenia. 	<p>for all border agencies using a common payment center</p> <ul style="list-style-type: none"> ③ Establish teams of selected representatives involved in the processing of vehicles and consignments to simplify procedures, facilitate trade and transport, increase revenue collection ③ To follow up recommendations specified in TRACECA project on HBCP.
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VII Annex 1:

The List of Legislative and Regulatory Acts Governing the Trade and Trade Related Matters in Armenia:

The right to conduct economic activities in Armenia	
1.	Decree of the President of Armenia on Foreign Economic Activity, 4 January 1992
2.	Law on State Register of Legal Entities
3.	Civil Code
4.	Law on Joint-Stock Companies
5.	Law on Limited Liability Companies
6.	Law on Foreign Investment
7.	Law on State Fees.
8.	Law on Licensing
Customs matters	
9.	Customs Code
10.	Law on Fixed Charges for Tobacco Products
11.	Secondary legislative acts for the implementation of the Customs Code
Tax matters	
12.	Law on Taxes
13.	Law on Value Added Tax
14.	Law on Excise Tax
15.	Law on Land tax
Non-tariff measures with respect to imports and exports	
16.	Government Resolution No. 124, 29 December 1995
17.	Government Resolution No. 239, 12 May 2000
18.	Government Resolution No. 581, 20 September 2000
Technical barriers to trade	
19.	Law on Standardization
20.	Law on Conformity Assessment
21.	Law on Uniformity of Measurements
22.	Government Resolution No. 9, 11 January 2000 (on Technical Regulations)
23.	Government Resolution No. 247, 18 May 2000 (on recognition of conformity assessment results)
Sanitary and phytosanitary measures	
24.	The Law on State Agrarian Inspections
25.	Government Resolution No. 171, 11 March 1998 (on “National Agrarian Rules”)
26.	Law on Veterinary
27.	Law on Plant Protection and Plant Quarantine
28.	Government Resolution No. 778, 27 August 2001 (on Phytosanitary Rules for importation and exportation of plants, plant products and other items subject to

	regulation)
29.	Law on Food Safety
30.	SanPins (Sanitary and Hygienic Rules and Norms)

Annex 2:

Customs Processing Procedures of Goods and Transportation Means Conveyed in Transit Shipment Mode

According to the Republic of Armenia Customs Legislation there are two types of transit- simple and complicated, as well as transit shipment by means of changing the transportation means.

1. The simple type of transit shipment is used when goods in transit through the Republic of Armenia customs territory are transported in transportation means which is not loaded with any other goods and which is not loaded additionally or unloaded during transit shipment. In this case only SAD in "Transit Shipment" customs mode shall be filled in three copies by mentioning the following in the corresponding boxes of the SAD:

- the exit customs point, by taking into account the destination country of the goods and transportation means under transit shipment, i.e. the country into the customs territory of which the goods and transportation means under transit should be imported through the Republic of Armenia customs territory;
- the rout of transit shipment, by taking into consideration the roads more suitable to that particular type of transportation means choosing among the possible routs the one that allows to transfer the goods and transportation means under transit to the exit customs point in shortest period of time and possibly bypassing the inhabited areas;
- time frame of transit shipment, taking into consideration the technical capacities of the given transportation means, the specific features of goods under transit, the rout of transit shipment and the maximal time frame defined by the Republic of Armenia Customs Code, i.e. ten days.

Goods and transportation means under transit shipment after being transferred to the exit customs point shall undergo the following in the exit customs point:

- the accompanying documents shall be checked, then the data of the declaration presented to the exit customs point shall be compared and cross-checked against the data received by radio-telegram, presence of customs security/guaranty means on the transportation means under transit shipment put by the entry customs point, as well as possibility of unloading and additionally loading of the transportation means (cargo-boxes) without harming/breaking the customs security/guarantee means, after that:
- if no violations of customs rules are observed the goods and transportation means under transit are allowed to be exported from the Republic of Armenia customs territory and a radio-telegram concerning the transit shipment together with the third copy of the declaration is sent to the Customs Committee not later than the day following the date when the goods and transportation means have reached the exit customs point;
- if violations of customs rules are observed the exit of goods and transportation means under transit shipment is banned and in the manner stipulated by the law an investigation on violations of customs rules is initiated.

2. The complicated type of transit shipment is applied when during transit shipment

goods declared in other customs regimes should be unloaded from (or additionally loaded to) the transportation means used for transit shipment. A customs declaration in three copies for the part of the goods designed for transit shipment is filled in the entry customs point. Customs processing and customs control of the part of cargo not subject to transit is implemented for a separately chosen customs regime in the order provided by the RA Customs Legislation, filling out a shipment manifest for them. If the part of cargo not subject to transit (but declared in other customs regimes) should, in the defined order, undergo customs processing, or the transportation means designed for transit shipment should be additionally loaded with goods declared in other customs regimes in one of the regional intermediary customs points (in several customs points), then:

- the intermediary customs houses should be mentioned in a sequential manner in the corresponding box of the declaration filled for goods under transit shipment in the entry customs point,
- goods under transit (also goods declared in other customs regimes, if available) and transportation means together with transfer manifest and under mandatory customs accompaniment are directed from entry customs point to the first intermediary customs house located on the rout chosen by the entry customs point. In that, notes about transit goods and goods imported in other customs modes are made in the transfer manifest. If customs security means are put on goods, their data are mentioned only in transfer manifest.

In this case also the entry customs point shall decide and note in the relevant boxes of the declaration:

- the exit customs point, by taking into account the destination country of the goods and transportation means under transit shipment, i.e. the country into the customs territory of which the goods and transportation means under transit should be imported through the Republic of Armenia customs territory;
- the rout of transit shipment, by taking into consideration the roads more suitable to that particular type of transportation means choosing among the possible routs the one that allows to transfer the goods and transportation means under transit to the exit customs point in shortest period of time and possibly bypassing the inhabited areas;
- time frame of transit shipment, taking into consideration the technical capacities of the given transportation means, the specific features of goods under transit, the rout of transit shipment and the maximal time frame defined by the Republic of Armenia Customs Code, i.e. ten days.

When cargo reaches the first intermediary customs house the customs security means (if available) put on cargo in entry customs point are taken away in the customs house, the part of cargo subject to customs processing in the given customs house is unloaded, or (and) the goods, that underwent customs processing in the given customs house and should be transferred on the vehicle used for transit shipment, are additionally loaded. Thereafter, if possible customs security means are put on the transportation means/vehicle used for transit shipment, and the cargo together with transfer manifest is directed to the next intermediary customs house, or in case of absence of the later to exit customs point. In each next intermediary customs house customs security means put by the previous intermediary customs house are taken away following which the customs processing and control is implemented in the same manner as in the first intermediary customs house.

When goods and transportation means under transit shipment reach the exit customs point, the following is implemented there:

- the accompanying documents shall be checked, then the data of the declaration presented to the exit customs point shall be compared and cross-checked against the data received by radio-telegram, presence of customs security/guaranty means on the transportation means under transit shipment put by the entry customs point, as well as possibility of unloading and additionally loading of the transportation means (cargo-boxes) without harming/breaking the customs security/guarantee means, after that:
- if no violations of customs rules are observed the goods and transportation means under transit are allowed to be exported from the Republic of Armenia customs territory and a radio-telegram concerning the transit shipment together with the third copy of the declaration is sent to the Customs Committee not later than the day following the date when the goods and transportation means have reached the exit customs point;
- if violations of customs rules are observed exit of goods and transportation means under transit shipment is banned and in the manner stipulated by the law an investigation on violations of customs rules is initiated.

In case the transit shipment was not possible to finish within the defined terms due to insurmountable conditions the persons conveying the goods within the time frames envisaged for transit shipment in accordance to the acting order can deliver transit goods and transportation means for responsible storage to any customs entity close to the transit rout.

The receiving customs entity getting the application for delivering the transit goods and transportation means for responsible storage shall on the same day inform the Customs Committee about that transaction by means of radio-telegram by mentioning in it the name of entry customs point, date of release of goods and transportation means from the entry customs point and the type and registration number of declaration filled in the entry customs point.

3. If the transportation means used for transit shipment of goods imported into the Republic of Armenia should be changed in the territory of the Republic of Armenia in the border customs point of entry into the Republic of Armenia the goods and transportation means can be declared in either "Entry into Free Customs Warehouse" or "Entry into Customs Warehouse" mode, then after having trans-shipped goods on another transportation means within the territory of free customs warehouse or customs warehouse, they can be declared in "re-export" customs mode and be exported from the Republic of Armenia customs territory.

Annex 3:

Transit fees

For each transport entering the RA territory, which is registered in a foreign country, the ecological charges are collected at the following rates:

TYPE OF TRANSPORT	AMOUNT (AMD)
For passenger car	2 500
For buss with less than 12 seats	5 000
For bus with 12 and more than 12 seats	10 000
For truck with up to 8 tons tonnage	5 000
For truck with 8-20 tons tonnage	10 000
For truck with 20 and more tons tonnage	15 000

In accordance with the law of RA “On transit payments”, transportation facilities registered in other countries for using public automobile routs of the RA pay the following route tariffs for each entrance:

TYPE OF VEHICLE	AMOUNT (AMD)
Passenger cars with up to 7 seats	10 000
Busses with up to 13 seats	20 000
Busses with 13 up to 30 seats	40 000
Busses with 30 and more seats	60 000
Tracks and trailers with up to 1.5 tons carrying capacity	15 000
Tracks and trailers with 1.5 tons up to 3 tons carrying capacity	25 000
Trailers with 3 up to 5 tons carrying capacity	40 000
Tracks and trailers with 5 to 10 tons carrying capacity	65 000
Trailers with 10 to 20 tons carrying capacity	80 000
Tracks and trailers with 20 up 36 tons carrying capacity	110 000
Tracks and trailers with 36 and more tons carrying capacity	150 000