

Updates on Development of CAREC Advanced Transit System (CATS)/Information Common Exchange (ICE) Pilot Test

Second Roundtable Discussion with Insurance Companies
22 April 2019
Nur-sultan, Kazakhstan



Objectives of CATS

The overall objectives of the CATS are to:

- i. enhance the security of the supply chain across the CAREC region
- ii. help trade flow more smoothly and efficiently across the borders, and
- iii. reduce the overall cost of trade.

The main features of CATS are

- i. risk based
- ii. use of single CATS transit document
- iii. Compatible with single/comprehensive guarantee

Main Accomplishments and Progress 2016 – 2019

2016-
2017

- **December 2016** – AZE, GEO, and KAZ signed Aide Memoire to cooperate through a pilot to test viability of CATS.
- **June 2017** – A workshop was held in Baku, AZE, where design, implementation, coordination mechanisms, and domestic procedures of CATS prototype were presented. Parties agreed to establish a working group with appointed focal persons from each country.
- **September 2017** – Second workshop was held in Almaty, KAZ, where working groups met to prepare action plans to pilot test the CATS and ICE in 3 countries, as well as resolve pending issues.

2018

- **March 2018** – Consultations with KAZ Customs was held in Astana, KAZ. A trilateral agreement has been drafted; both AZE and GEO gave green lights to the trilateral agreement, while KAZ requested more domestic consultation
- **April 2018** – First Roundtable discussions was held with insurance companies in Tbilisi, Georgia to discuss Guarantees mechanism of the trilateral agreement

2019

- **January 2019** – Azerbaijan, Georgia and Kazakhstan discussed line-by-line the draft CATS/ICE Trilateral Agreement in a sub-regional workshop held in Baku, AZE.
- **February - March 2019** – Three videoconferences were held to continue discussions on the draft trilateral agreement with a view to conclude and present at the next CCC Meeting in June 2019.

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p>General</p> <ul style="list-style-type: none">• Para 1: Custom duties and taxes• Para 2: <i>or in the form stipulated in the national or EEU legislation in the case of Kazakhstan.</i>	<p>General</p> <ul style="list-style-type: none">• Para 1: Custom payments (applicable in entire Agreement)• Para 2: <i>or in the form and procedure stipulated in the national legislation of Contracting Parties or EEU legislation in the case of Kazakhstan.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p>Escrow Account</p> <ul style="list-style-type: none">• Para 2: <i>Such withdrawals will only be made after the prescribed amount of time allowed, for the submission of proof of satisfactory completion of a transit operation has expired.</i>	<p>Escrow Account</p> <ul style="list-style-type: none">• Para 2: <i>Such withdrawals will only be made after the designated amount of time allowed by national legislation of Contracting Parties, except in the case of force majeure described under Article on Discharge of Guarantee 1a, for the submission of proof of satisfactory completion of a transit operation has expired.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p data-bbox="117 479 600 525">Level of Guarantee</p> <ul data-bbox="117 608 923 1288" style="list-style-type: none"><li data-bbox="117 608 923 1288">• Para 3: <i>The actual level of comprehensive guarantee shall be fixed by Customs at 100% of the reference amount according to the customs tariffs applicable in the country in which the transit procedure was initiated. If available information is not enough to determine the amount of guarantee, that amount of guarantee shall be fixed at the equivalent of 10000 Euro.</i>	<p data-bbox="967 479 1450 525">Level of Guarantee</p> <ul data-bbox="967 608 1785 1225" style="list-style-type: none"><li data-bbox="967 608 1785 1225">• Para 3: <i>The actual level of comprehensive guarantee shall be fixed by Customs at 100% of the reference amount according to the highest customs tariffs applicable in the Contracting Parties. If available information is not enough to determine the amount of guarantee, that amount of guarantee shall be fixed at the equivalent of 100000 Euros.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p>Guarantors</p> <ul style="list-style-type: none">• Para 2: <i>For the purposes of the CATS Prototype, a guarantor shall be allowed to be registered as a CATS guarantor provided that they have been approved by the competent authority.</i>	<p>Guarantors</p> <ul style="list-style-type: none">• Para 2: <i>For the purposes of the CATS prototype, a guarantor can be approved as a CATS guarantor provided that they have been authorized to act as an insurer by the appropriate national authority.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p data-bbox="117 479 722 529">Discharge of Guarantee</p> <ul data-bbox="117 608 929 1290" style="list-style-type: none"><li data-bbox="117 608 929 1096">• Para 1: <i>Without prejudice to national provisions prescribing other cases of exemption, the Principal shall be exempted by the Competent Authorities of the countries concerned from customs payments in the case of:</i><ul data-bbox="208 1115 832 1290" style="list-style-type: none"><li data-bbox="208 1115 832 1290">b. <i>officially recognized shortages arising from the type of goods transported.</i>	<p data-bbox="969 479 1574 529">Discharge of Guarantee</p> <ul data-bbox="969 608 1761 1353" style="list-style-type: none"><li data-bbox="969 608 1761 1158">• Para 1: <i>Without prejudice to national legislations prescribing other cases of exemption, the Principal shall be exempted by the Competent Authorities of the countries concerned from customs payments in the case of:</i><ul data-bbox="1060 1176 1684 1353" style="list-style-type: none"><li data-bbox="1060 1176 1684 1353">b. nationally recognized shortages arising from the type of goods transported.

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p data-bbox="117 476 662 525">Discharge of Guarantee</p> <ul data-bbox="117 591 929 1262" style="list-style-type: none"><li data-bbox="117 591 929 1262">• Para 3: <i>When it is found that, in the course of a transit operation, an offence or irregularity has been committed in a particular country by the transit carrier, recovery of duties or other charges which may be chargeable, shall be enforced by the customs of the country in accordance with this Trilateral Agreement and any applicable provisions laid down by law, regulation or administrative action.</i>	<p data-bbox="969 476 1514 525">Discharge of Guarantee</p> <ul data-bbox="969 591 1781 1262" style="list-style-type: none"><li data-bbox="969 591 1781 1262">• Para 3: <i>If an offence or irregularity has been committed in a particular country by the transit carrier, in the course of a transit operation, the recovery of customs payments which may be chargeable against the guarantor, shall be enforced by the customs of the country in accordance with this Trilateral Agreement and any applicable provisions laid down by law, regulation or administrative action.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p>Liability of the Guarantor</p> <ul style="list-style-type: none">• Para 1: <i>The guarantor shall undertake to pay the customs duties and taxes, due under customs laws and any other relevant laws and regulations of the Contracting Party in which a transit operation has not been satisfactorily discharged. The principal remains jointly and severally responsible with the guarantor for the full payment of the amount of any customs</i>	<p>Liability of the Guarantor</p> <ul style="list-style-type: none">• Para 1: <i>The guarantor shall undertake to make the customs payments due under national customs laws and any other relevant laws and regulations of the Contracting Party in which a transit operation has not been satisfactorily discharged. The Principal remains jointly and severally responsible with the guarantor for the full payment of the amount liable on the transit operation in question.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p>Liability of the Guarantor</p> <ul style="list-style-type: none">• Para 4: <i>Where the guarantor has not been advised of a potential claim within the time limit prescribed under paragraph 3 of this article, they shall be absolved from all liability relating to the transit operation.</i>	<p>Liability of the Guarantor</p> <ul style="list-style-type: none">• Para 4: <i>Where the guarantor has not been notified, in the form according to national legislation, of a potential claim within the time limit prescribed under paragraph 3 of this article, they shall be absolved from all liability relating to the transit operation.</i>

Major Changes in Article 5: Guarantees

Original Text	Revised Text
<p>Cancellation and Revocation of Guarantees</p> <p>Para 1: <i>An office of guarantee shall revoke its acceptance of a guarantee if the conditions laid down at the time of issue are no longer fulfilled. Revocation shall be with immediate effect.</i></p>	<p>Cancellation and Revocation of <u>Comprehensive</u> Guarantees</p> <p>Para 1: <i>An office of guarantee shall revoke its acceptance of a comprehensive guarantee if the conditions laid down at the time of issue of the guarantee are not fulfilled. Revocation shall be with immediate effect.</i></p>

Next Steps

i. Reactivation of CATS/ICE Technical Working Groups

ii. Signing of the Trilateral Agreement to pilot test CATS/ICE by third quarter of 2019

iii. Launch of CATS/ICE Pilot Test by end 2019

iv. Review results and lessons learned to CAREC CCC and allowing more countries to join in 2020

Thank you!

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