



**Regional Trade Facilitation and Customs  
Cooperation Program  
In Support of Joint Transport and Trade Facilitation Strategy**

**Senior Officials' Meeting on  
Central Asia Regional Economic Cooperation  
25-26 September 2008  
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## ABBREVIATIONS

ADB	–	Asian Development Bank
ASYCUDA	–	Automated System for Customs Data
BCP	–	border crossing point
CAREC	–	Central Asia Regional Economic Cooperation
CCC	–	Customs Cooperation Committee
ICT	–	information and communication technology
M&E	–	monitoring and evaluation
NJC	–	national joint transport and trade facilitation coordinating committee
PRC	–	People's Republic of China
TA	–	technical assistance
TIR	–	Transports Internationaux Routiers (International Road Transport)
TSCC	–	Transport Sector Coordinating Committee
TTFS	–	Joint Transport and Trade Facilitation Strategy
UNESCAP	–	United Nations Economic and Social Commission for Asia and the Pacific
UNFFA	–	Union of National Freight Forwards Associations
WCO	–	World Customs Organization
XUAR	–	Xinjiang Uygur Autonomous Region

## NOTE

In this report, "\$" refers to US dollars.

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## EXECUTIVE SUMMARY

The vision for Central Asia Regional Economic Cooperation (CAREC) is a region of mutual prosperity driven by increased trade within and beyond Central Asia. A major obstacle in achieving this vision is high trade costs. The long-term outcome desired from the work of the Trade Facilitation and Customs Cooperation Committee (CCC) is greater volume of trade intra-regionally and extra-regionally, due to time and cost savings which result from harmonized cross border regulations, procedures and standards and improved logistics. Progressing trade facilitation beyond the initial positive steps achieved by the CAREC Regional Trade Facilitation and Customs Cooperation Program in 2002–2007 is a primary means to achieving this goal. Trade facilitation will promote economic diversification and assist the international trade of small and medium enterprises. This is a vision of win-win, pro-poor growth.

The primary goals of the new CAREC trade facilitation program are to (i) realize a significant reduction in transaction costs and time by means of improving administrative efficiency, and simplifying, standardizing and harmonizing trade procedures; (ii) encourage the free movement of goods and people, and (iii) enhance the transparency of laws, regulations, procedures and forms, and share information on these and other trade issues.

The strategy is comprised of three components aimed at reducing trade costs by promoting concerted customs reform and modernization, supporting an integrated trade facilitation approach through interagency cooperation and public-private partnerships, and promoting efficient regional logistics development.

Customs cooperation will remain the core of the strategy. The medium term objective will be to promote concerted customs reforms and modernization, with the CCC serving as a regional forum to address issues of common interest. The work program in the short to medium term will focus on customs automation; risk management, post entry audit and customs intelligence; joint customs control; regional transit development; harmonization of custom procedures and documentation; data exchange; and frameworks for customs co-operation and training.

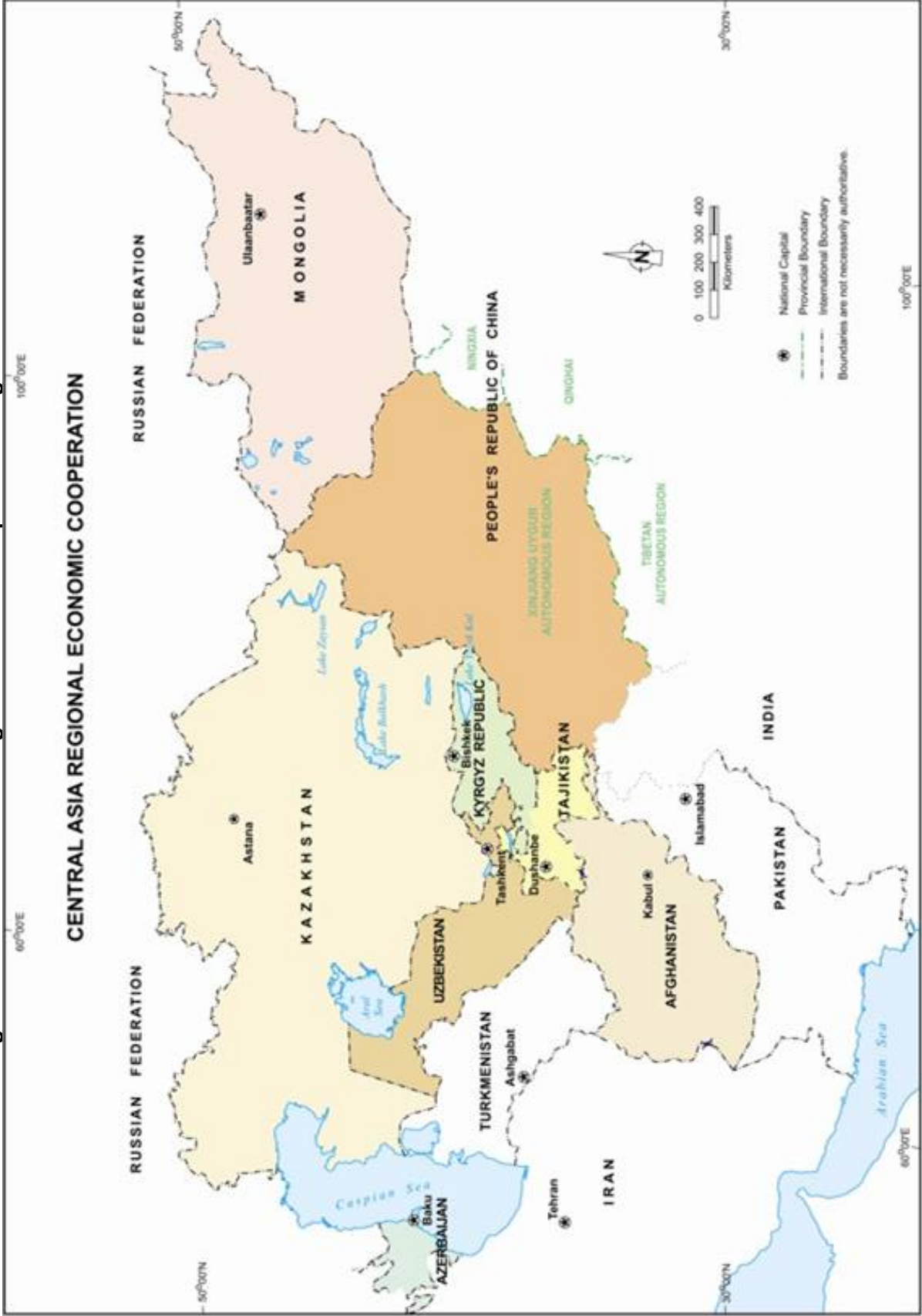
The trade facilitation component of the strategy aims to establish a regional mechanism for integrated trade facilitation to complement and strengthen the CAREC Customs Cooperation Committee process, building on inter-agency cooperation and partnership with the private sector.

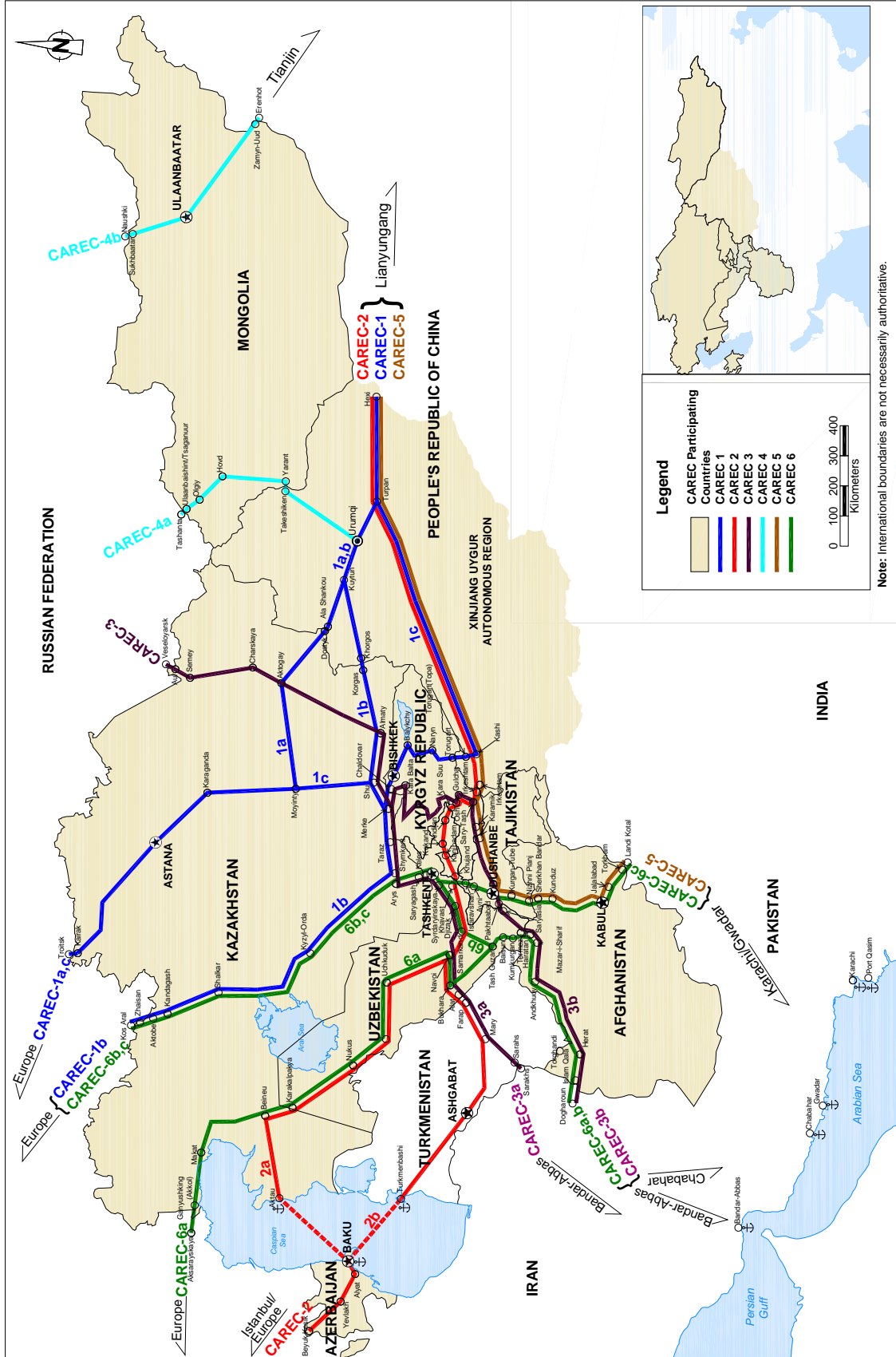
The work program will focus on promoting the establishment of national trade facilitation committees; one stop and single electronic window services; priority trade facilitation support for designated CAREC transport/economic corridors; support to bilateral initiatives to pilot integrated trade facilitation; support for accession to international conventions for integrated trade facilitation, establishment of a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve co-ordination and develop good practice models; and establishment of monitoring methodologies and mechanisms to measure performance.

The Trade Logistics component of the strategy will facilitate the development of an efficient regional logistics industry. The work program will include establishment of a regional forum to harmonize and plan trade logistics development; support for national level trade logistics assessments; and facilitation and financing of key investments including public-private partnerships.

MAPS

Countries and Regions under Central Asia Regional Economic Cooperation Program and CAREC Corridors





## I. STATUS REPORT

### A. Customs Core Areas

1. The Central Asia Regional Economic Cooperation (CAREC) Regional Trade Facilitation and Customs Cooperation Program was launched in 2002. Progress has been achieved in the five priority areas of (i) simplification and harmonization of customs procedures and documentation, (ii) information and communication technology (ICT) for customs modernization and data exchange, (iii) risk management and post-entry audit, (iv) joint customs control and one-stop services, and (v) regional transit development, as well as in other areas of integrated trade facilitation and trade logistics development.

2. Work in the five priority areas during the 2002-07 has been coordinated by the Customs Cooperation Committee (CCC) which also promoted bilateral agreements and country-specific customs modernization. Simplification and harmonization of customs procedures are being achieved through revision of customs codes in line with the Revised Kyoto Convention, introduction of risk management practices, joint customs control, and customs automation.

3. All of these initiatives in customs and transit matters are positive and important steps. The CCC has been successful in creating an environment of trust and cooperation among the custom services of the participating countries and CCC has become a cohesive body within CAREC.

#### 1. Simplification and Harmonization of Customs Procedures

4. Afghanistan enacted a new Customs Law in 2007 in line with international best practices and simplified/streamlined 27 customs procedures. A single administrative document for customs declaration has been adopted in all customs stations. (Inputs from country reports)

5. As proposed at the 6<sup>th</sup> CCC meeting, a CAREC Customs Training Course on Tariff Collection Supervision co-sponsored by the Asian Development Bank (ADB) and Shanghai Customs Organization was conducted in Shanghai PRC last 3–12 June 2008. Mid-level officials of CAREC customs authorities learned how the PRC Special Customs Control Areas are managed and operated and the benefits derived from an integrated system of customs control including risk management and supervision of revenue and tariff collection. The training course also included sessions on the various World Customs Organization (WCO) training courses and methodologies and how the CAREC countries can avail of these specialized trainings, seminars and distance learning modules to improve their capacities and streamline customs-related processes.

#### 2. ICT for Customs Modernization and Data Exchange

6. Afghanistan has computerized its customs clearance system in Kabul using United Nation's Conference on Trade and Development's Automated System for Customs Data (ASYCUDA), allowing brokers, customs agents and importers to electronically file their declarations. The system will be expanded to other major customs houses e.g., Jalalabad, Mazar, and Herat. The Afghan customs website was also recently launched providing information on customs code, tariff rates, rules and regulations that should benefit traders and public at large.



7. The People's Republic of China (PRC) and Kyrgyz Republic officials and experts met in February 2007 and March 2008 to discuss statistics methods used by their respective countries, compared statistics from both sides and analyzed causes of differences in their statistical figures.

8. This year, Kazakhstan submitted for PRC's consideration draft protocols on exchange of information and the use of safe packets. In a meeting in Xinjiang Uygur Autonomous Region (XUAR) last 9–10 July 2008, both countries agreed that: (i) data exchange will facilitate customs processes and clearances and improve the accuracy and timing of customs duty collections; (ii) future data exchange will be based on data items on the Loading List; and (iii) data exchange shall be conducted at the level of General Administration of Customs.

### **3. Risk Management and Post-Entry Audit**

9. In Afghanistan, a risk management module is being integrated into the ASYCUDA system. (Additional inputs from country reports)

10. PRC continues to support regional cooperation on capacity building and intends to provide, with the support of ADB, regular specialized customs services trainings at the Shanghai Customs College. An Anti-Smuggling Course was conducted last November 2007 to help customs authorities in the CAREC region establish and update effective anti-smuggling procedures in their respective countries.

### **4. Joint Customs Control and One-Stop Services**

11. PRC has made considerable progress in finalizing joint inspection programs with Kazakhstan and Mongolia. PRC and Kazakhstan agreed to implement the program in three phases and a pilot joint border inspection was officially initiated in Dulata (PRC) and Kalzhat Dulaty (Kazakhstan) last 15 December 2007. First phase is adoption of harmonized Road Loading List filled out by carriers; second phase will recognize customs inspection results of other party; and third phase is implementation of joint custom inspection.

12. Research studies are also being conducted on how to further improve PRC-Kazakhstan and PRC-Mongolia joint inspection programs. Research results of the PRC-Kazakhstan study were presented last 15 August while expert groups and working groups have been established in PRC and Mongolia to conduct the study on joint inspection and provide guidance on the implementation of the pilot projects. PRC has provided Mongolia with Detailed Rules for Implementation of First Stage of China-Mongolia Joint Border Program and templates for Loading List of Inbound/Outbound Road Trucks.

13. The CCC, during their 6<sup>th</sup> annual meeting, requested assistance from ADB to conduct a training of experts on the development and implementation of Integrated Border Management. The CCC also called for the continuation of support efforts to establish single information space on a bilateral level.

### **5. Regional Transit Development**

14. Moves to develop a simplified transit system have focused on accession to and use of the Convention on the International Transport of Goods under the *Transports Internationaux Routiers* (TIR) Carnet. All CAREC member countries except the PRC are contracting parties to the TIR Convention, and the PRC has indicated its intention to accede to the TIR Convention.

Problems remain with the approved national associations for the issue of TIR carnets and, most importantly, due to the fixed costs of having TIR-compliant vehicles. Several customs administrations have also embarked on bilateral arrangements for a simplified transit system through security deposits.

15. At the 6<sup>th</sup> annual CCC meeting, Kazakhstan proposed the use of “safe packet system” for movement of goods across border crossing points with neighboring countries Kyrgyz Republic and Uzbekistan. The system is designed to prevent unreliable declaration and to simplify and accelerate the movement of goods. ADB provided consulting services to review the proposal in late 2007 and early 2008. The consultant found the safe packet system as implemented in Kazakhstan as commendable and an inexpensive initiative that will contribute to facilitation of trade through faster clearance procedures and at the same increase revenue collection at the border. If ADB decides to fund a pilot project in Kyrgyz Republic, the consultant recommended the establishment of benchmarks to enable measurement of success and that progress reports, including estimates of savings made, be submitted regularly.

#### **1. Other Areas (Integrated Trade Facilitation)**

16. The CCC broadened its scope in 2004 in order to bring in other stakeholders involving in international trade, such as other government agencies and the private sector. As the result, CCC started in 2005 to promote initiatives leading to inter-agency coordination and development of one stop service and single window and partnerships with business community.

##### **a. Single Window**

17. Kyrgyz Republic has approved the concept of Single Window and issued a Government Resolution directing the Ministry of Economic Development and Trade, State Customs Committee and other involved agencies to prepare proposal on how to implement the single window concept. Mongolia has likewise established a working committee to be headed by the Ministry of Trade to develop a national program for Single Window. Likewise in Afghanistan, export procedures are being simplified and a single-window clearance system for exports, in coordination with other government agencies and the Afghan Chamber of Commerce, is being developed for Kabul Custom House and Kabul Air Cargo. In addition, a Memorandum of Understanding has been signed between Customs and Ministry of Commerce to streamline import, storage and clearance procedures of petroleum and lubricants coming from neighboring countries.

18. A Workshop on Single Window Development for CAREC Trade and Customs Officials was held on 8–10 July 2008 in Singapore. Various single window models used within the region were presented and benefits derived from the successful implementation of single window systems were discussed. The seminar provided participants with insights on how to apply and adapt the single window principles into their own systems. Mongolia and Kyrgyz Republic indicated their specific interests in Singapore

##### **b. Trade Logistics**

19. Back-to-back seminars on Trade Logistics Development and Performance Measurement and Monitoring were held in Baku, Azerbaijan on 23 April 2008. The Trade Logistics seminar reviewed the state of trade logistics in several CAREC countries and identified common issues or constraints related to further development. These issues could be addressed through broader transport and trade facilitation programs aimed to ensure future transport and trade facilitation

investment and technical assistance projects are consistent with trade logistics development needs.

20. Trade logistics studies have been completed for XUAR and Inner Mongolia Autonomous Region of PRC, Mongolia, Tajikistan, and Kyrgyz Republic; studies are on-going in Kazakhstan and Uzbekistan and recently started in Afghanistan and Azerbaijan. A Workshop on Trade Logistics Development was held in Tashkent, Uzbekistan from 2–4 September that enabled detailed discussion on (i) the country studies including regional issues or constraints to logistics development, recommendations to address such constraints; and (ii) strategies to promote the development of the logistics sector, encourage public investment as well as strengthen public-private partnerships and regional cooperation projects. The Workshop also included technical sessions on Methodologies Used in Selecting Locations of Logistics Hubs, Performance Measurement and Monitoring for Trade Logistics and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)'s Time-Cost-Distance Methodology.

### **c. Transport Corridor Performance Measurements**

21. The seminar on Performance Measurement and Monitoring of CAREC Corridors proposed a comprehensive set of performance measurements to reflect the efficiency or quality of the CAREC transport and trade corridors' three dimensions: (i) physical infrastructure (transport, logistics, and customs); (ii) customs and other trade/transport regulation and procedures; and (iii) trade logistics. These include: (i) UNESCAP's time-cost-distance methodology to record the time and costs incurred in transporting goods from point to point along CAREC corridors; (ii) the WCO time release method to measure the average time taken between the arrival of goods at a border post and their release to the importer/broker; and (iii) simplified trade logistics performance assessments

## **B. Working together with Transport Coordination Committee on Joint Transport and Trade Facilitation Strategy**

22. To better achieve the CAREC vision of good neighbors, good partners and good prospects, it was proposed to coordinate efforts of the CAREC participating countries in improving the region's transport infrastructure and reducing the cost of trade across the region. The Joint Transport and Trade Facilitation Strategy (TTFS) was proposed and endorsed in November 2007 at the 6<sup>th</sup> CAREC Ministerial Conference. The joint strategy focuses on promoting efficient and fully integrated transport and trade operations and infrastructure with the ultimate goal of supporting social and economic development for the CAREC region. The TTFS Action Plan has three main goals:

- (i) Establishment of competitive corridors across the CAREC region.
- (ii) Facilitation of efficient movement across borders.
- (iii) Development of sustainable, safe, and user-friendly transport and trade networks.

23. The new Trade Facilitation Work Program is one of the major components of the TTFS and builds on the 2002–2007 achievements of the Regional Trade Facilitation and Customs Cooperation Program. A major goal of the program is to ensure that the many separate trade facilitation measures will result in significant overall time and cost savings. The centerpiece of the strategy is a results-based approach to further trade facilitation, whereby time and costs of trading can be monitored along key corridors to establish progress.

## II. WORK PROGRAM IN SUPPORT OF TTFS

### A. Rationale

24. A striking feature of recent economic development in the CAREC members is that all are open economies with export/GDP ratios in 2005, ranging from 39 to 65%. This is largely driven by their strong comparative advantage in natural resources (oil and gas, minerals, and cotton). Average import tariffs are, in most cases, fairly low. Over the last decade, the level of international trade has risen considerably. Exports are heavily concentrated in a few commodities: oil and gas, minerals, and cotton. Imports are far more diversified. Machinery and equipment account for a significant proportion of imports for all six countries.

25. The participation of CAREC countries in global production networks and related international trade remains very limited.<sup>1</sup> Trade between the Central Asian countries and the PRC grew rapidly in 2000–2004, while trade with Mongolia remained small. Despite their geographical proximity, trade between the Central Asian countries and Afghanistan remains limited. Although exports to Afghanistan have increased considerably in recent years, it is from a very low base and the values are small relative to total exports. Total recorded trade with the PRC increased from \$0.7 billion in 1999 to \$3.4 billion in 2004, and, if unrecorded trade is taken into account, trade with China is much larger.

26. In sum, the CAREC countries have open economies whose exports are dominated by a small number of primary products and whose trade performance is dependent on production and world prices of those commodities. They have had limited success in diversifying exports, and by many measures they trade below their potential. The returns to integration in the global economy in terms of higher living standards have been disappointing. In large part this has been because realization of the potential gains from trade has been obstructed by unnecessary high costs of trade. Some of these costs derive from the CAREC countries' landlocked situation, which makes trade and transit problems especially severe. This highlights the potential benefits from reducing such costs.

27. The suboptimal level of trade and the concentration on primary products are inter-related, because the high trade and transit costs discourage trade in manufactures or processed foods, more than they discourage export of oil, gas, minerals, cotton or grains. Another facet of this inter-relationship is that high trade costs are especially burdensome when the producers are small or medium-sized enterprises. In 2005 and 2006, analysis of the policies required to promote trade and growth began to focus on trade facilitation rather than on traditional trade policies.

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<sup>1</sup> One indication of this is the relatively low degree of intra-industry trade; the Grubel-Lloyd index shows that Azerbaijan, Kazakhstan, and Tajikistan are involved in intra-industry trade to a much lesser degree than China and, while the intra-industry trade is relatively high for resource-based, unskilled labor-intensive products, it is low for skilled-labor and technology-intensive products (Asian Development Bank. 2006. *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit*. Manila.). China has over the last decade become much more involved in international production networks, but these are primarily with countries in East and Southeast Asia and only involve Xinjiang to a limited degree.

## B. New Trade Facilitation Work Program

### 1. Goals and Objectives

28. The aim of the new trade facilitation work program is to strengthen and broaden the existing trade facilitation program and establish a credible plan to support sustained economic growth and improved living standards through the expansion of international and intra-regional trade. The primary goals of the program are to: (i) significantly reduce trade transactions costs and time by improving administrative efficiency, and simplifying, standardizing and harmonizing trade procedures; (ii) promote the free movement of goods and business people; and (iii) enhance the transparency of laws, regulations, procedures and forms, and improve access to trade facilitation information.

29. The work program sets out a short (1–2 years) to medium (3–5 years) term approach to ensure that trade facilitation measures taken over the next five years by individual countries, as well as collectively, move toward the long term objective of the joint TTFS of development through cooperation leading to accelerated economic growth and poverty reduction. The short to medium term actions for reducing trade costs include:

- (i) promoting concerted customs reform and modernization,
- (ii) supporting an integrated trade facilitation approach through interagency cooperation and public-private partnerships, and
- (iii) promoting efficient regional logistics development.

### 2. Customs Reforms and Modernization

30. Customs cooperation among the CAREC participating countries will remain the core of the program. The process of changing the culture of customs administrations from control-orientation to compliance-facilitation has begun and the strategy will support this process.

31. The medium term objective will be to promote concerted customs reforms and modernization, with the CCC serving as a regional forum to address issues of common interest. The work program in the short to medium term will continue to focus on the five priority areas:

- (i) **Simplification and harmonization of custom procedures.** This is the core requirement of the revised Kyoto Convention and the trade facilitation program will continue to support this effort with the ultimate aim of including the procedures and forms of other agencies;
- (ii) **ICT for customs modernization and data exchange.** Automation of customs systems (import, export and transit declarations) will facilitate exchange of information and speed-up clearance times and the movement of traffic across borders;
- (iii) **Risk management and post entry audit.** Audit-based post clearance/post-release control regime is also a requirement of the revised Kyoto Convention. If supported by effective risk management systems and procedures, post-entry audit will significantly reduce customs controls at the borders and enable authorities to allocate scarce resources more effectively;
- (iv) **Joint customs control and one-stop services.** Joint customs control is the initial step towards joint agency controls and eventually single-window controls that will allow traders to lodge information with a single-body to fulfill all import/export related regulatory requirements; and

- (v) **Regional transit development.** Accession to TIR Convention and efficient operations of TIR in CAREC are both important. The work program will continue to support development of prudent bilateral and regional transit arrangements.

### 3. Integrated Trade Facilitation Approach

32. The definition of trade facilitation, as the term is used by the World Trade Organization, is “the simplification and harmonization of international trade procedures, including the activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade.” Trade facilitation relates to a wide range of activities such as import or export procedures (e.g., customs or licensing procedures), transport formalities, and payments, insurance and other financial requirements. It is distinguished from trade policy, as reflected in legislated tariff rates or non-tariff barriers to trade, and from the hard infrastructure of roads, ports, etc. An alternative way of delimiting trade facilitation, which is useful in the CAREC context, is to distinguish between trade costs that arise due to:

- (i) lack of integrated border management, so that complex procedures at the border (or in preparation for crossing the border) impose time and money costs on traders. The policy goal is captured in the idea of “a single window”;
- (ii) lack of coordination between the two sides of the border. The policy goal is that a trader crossing a border will only stop once; and
- (iii) behind the border costs.

33. All three of these trade costs are prevalent in the region.

34. Studies have documented the excessive border delays and large number of forms needed by importers and exporters in the region. At most borders it is necessary to comply with a range of procedures in addition to customs, including animal quarantine, inspection of plants and other agricultural materials, checks on driving licenses, axle loads and compliance with other rules of the road. Simplifying and harmonization of these procedures is a core business of trade facilitation. International agreements on standardized forms can help, but a key requirement is the need to shift policy emphasis to place more weight on trade facilitation rather than on trade control.

35. Behind-the-border trade costs, especially the frequent road checks which are often accompanied by an official or unofficial fine, are endemic and considerably raise the cost of doing business in the region. This is an issue which must be dealt with primarily at the national level.

36. Trade facilitation involves not only border measures. The various documents necessary for trade may be available only from offices in the national or regional capitals, while some obstacles (e.g., inspection of trucks for technical or other compliance standards) may occur anywhere on the national territory. Thus, although improvements can be made at the border crossing point, where vehicles often have to go past up to a dozen officials requiring different authorizations, focusing only on customs and border procedures is insufficient.

37. Improved border crossing processing and behind the border measures can result in large potential economic benefits. Trade facilitation will support higher living standards and pro-poor growth. The impediments to trade fall most heavily on exports other than the main primary product exports (i.e., oil and gas, cotton, and minerals) and on small and medium-sized

enterprises and traders. In sum, trade facilitation is a slow and piecemeal process, but in the CAREC region there is a huge potential pay-off.

38. The work program will focus on promoting one stop and single electronic window services; priority trade facilitation support for designated CAREC transport/economic corridors; support to bilateral initiatives to pilot integrated trade facilitation; support for accession to international conventions for integrated trade facilitation, establishment of a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve coordination and develop good practice models; and establishment of monitoring methodologies and mechanisms to measure performance.

39. The program will strengthen national capacity to measure and monitor progress, coordination with other key partners to disseminate good practice, and sharing of experience and program monitoring. It will clearly be important to involve private sector users in the decision and monitoring of trade facilitation measures.

#### **4. Trade Logistics Development**

40. The trade logistics component of the program will facilitate the development of an efficient regional logistics industry. Trade logistics, defined as the process of planning, implementing, managing and controlling the flow and storage of goods, services and related information from the point of origin to the point of consumption, are the operational component of a corridor and are privately provided. Trade logistics services are crucial to the movement of goods and passengers hence directly affecting the efficiency of trade in the region.

41. An integrated framework for the development of trade logistics in the CAREC region will include both hard (physical) and soft (policies and initiatives) infrastructure involving both public and private sectors.

42. The work program will include establishment of a regional forum to harmonize and plan trade logistics development; support for national level trade logistics assessments; and facilitation and financing of key investments including public-private partnerships.

#### **5. Focusing on Priority Transport and Trade Facilitation Corridors**

43. The CAREC region is well-suited to a corridors approach to trade facilitation because most intra- and inter-regional trade flows use a limited number of east-west and north-south routes. Performance measurement would eventually be implemented along all major trade routes. There are six CAREC Corridors<sup>2</sup> identified by the Action Plan with investment and technical assistance (TA) projects to support the following the following goals of the TTFS:

- (i) **Establishment of competitive corridors across the CAREC region** to improve connection to markets and reduce transport costs. The projects in the Action Plan will address four major constraints: (a) fragmented regional transport networks and deteriorated infrastructure, (b) high transport costs and long travel times, (c) limited intraregional and transit trade, and (d) insufficient funding for maintenance. This will be achieved through 54 investment projects with an estimated cost of \$19.7 billion and 19 TA projects with an estimated cost of \$13.9 million. The

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<sup>2</sup> See maps on pages ii–iii.

investment projects include 35 new projects (about \$15.2 billion) and 19 ongoing projects (about \$4.5 billion).

- (ii) **Facilitation of movement through CAREC corridors and across borders** by focusing on (a) Customs reforms and modernization, (b) effective functioning of the national transport and trade facilitation committees, (c) regional logistics development, and (d) private sector participation. There are 11 investment projects with an estimated cost of \$1.2 billion (10 new projects for \$1 billion and 1 ongoing project for \$100 million) and 39 TA projects with an estimated cost of \$45.1 million.
- (iii) **Development of sustainable, safe, and user-friendly transport and trade networks** by (a) minimizing the negative environment and social impacts during the development of the CAREC corridors; (b) replacing aging vehicle fleet with fuel efficient and less polluting equipment; and (c) facilitating movement of people across borders. The Action Plan includes five TA projects with an estimated cost of \$4.6 million.

44. The TTFS proposes a results-based approach with performance measurement and monitoring, which would allow countries to prioritize areas such as bottlenecks to trade facilitation. Countries working bilaterally or in groups along the corridor will enhance the possibility of significant improvements in time and cost savings along agreed corridors.

45. A performance monitoring system will be developed to establish baseline information on the movement of goods and people along the CAREC corridors, identify bottlenecks, and propose actions to solve them. The performance monitoring will cover assessments of infrastructure, Customs and other trade/transport regulations and procedures, and logistics services. This will be undertaken by three methods: (i) time/cost-distance analysis along selected corridors, (ii) time-release analysis at border points, and (iii) logistics performance analysis along selected corridors. Based on the consultations with the CAREC countries during February–March 2008 and a thorough assessment, it is proposed that six subcorridors (i.e., 1b, 2a, 3b, 4b, 5, and 6c), out of a total of 13 subcorridors, be selected for pilot performance monitoring. The national transport and trade facilitation committee or similar organization in each of the CAREC countries will oversee performance measurement and monitoring activities.

## 6. Institutional Arrangements

46. It is necessary that the CCC continues to meet on a regular basis and to undertake the program of activities set out in the design and monitoring framework.<sup>3</sup> Improved coordination among customs agencies in the region is a key outcome of the CAREC trade facilitation program in the past and the CCC is seen as having strong potential for taking the leadership in trade facilitation issues in the future.

47. In order to achieve the broader objectives of trade facilitation, the range of other national agencies involved in trade and border control need to be engaged. Improved national level coordination and capacity building is seen as a necessary first step towards effective regional cooperation on trade facilitation.

48. The Action Plan of TTFS proposes that the national joint transport and trade facilitation coordinating committee (the national joint committee, or NJC) to be more formally established

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<sup>3</sup> See Design and Monitoring Framework of the Trade Facilitation Work Program in Appendix 2.



consisting of representatives of national level trade facilitation coordination mechanisms. The NJC will include representatives of all government agencies in charge of transport, trade, and border-crossing activities (e.g., Ministry of Transport, Ministry of Trade, Ministry of Economy, Customs, quarantines, sanitary and phyto-sanitary, product standard, security, and immigration) and freight forwarders associations and logistics service providers.

49. The freight forwarders association or trade logistics association in each of the CAREC countries will be engaged to collect the data required for the time/cost-distance analysis of sub-corridors on a quarterly basis. Using the collected data and with ADB assistance, the NJC will undertake the time/cost-distance analysis, review the results, evaluate the constraints, and take corrective actions. Based on the results of the time/cost-distance analysis, the NJC will periodically authorize time-release assessments of particular border points and logistics performance assessments.

50. At the regional level, the CCC and the Transport Sector Coordinating Committee (TSCC) have been providing significant leadership in their respective areas. However, for effective execution of the Action Plan for TTFS, additional regional groupings would be necessary, such as the Union of National Freight Forwards Associations (UNFFA) and groups in areas of boarder trade facilitation areas. Finally, the overall leadership for TTFS could be CAREC Joint Transport and Trade Facilitation Leading Group, which comprises representatives from respective NJCs.

51. As the proposed Organization Framework for Supporting TTFS<sup>4</sup> indicates, CCC, TSCC, NJC, UNFFA as well as the regional leading group will be effectively working together through a set of strategies, action plans, work programs,<sup>5</sup> and terms of reference,<sup>6</sup> as well as through cross-representations. CAREC Joint Transport and Trade Facilitation Leading Group will annually review the implementation progress of the Action Plan, and will report the results to the Senior Officials' Meetings and Ministerial Conferences.

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<sup>4</sup> See Organization Framework for Supporting TTFS in Appendix 2.

<sup>5</sup> See Trade Facilitation Work Program in Appendix 3.

<sup>6</sup> See Terms of Reference for CCC in Appendix 4.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Long-Term Impact</b></p> <ul style="list-style-type: none"> <li>Sustained economic growth and improved living standards through the expansion of international and intra-regional trade</li> </ul>			
<p><b>Outcome</b></p> <ul style="list-style-type: none"> <li>Greater volume of trade intra- and extra- regionally, due to time and cost savings which result from harmonized cross border regulations, procedures and standards and improved logistics</li> </ul>	<p>Growth of total intraregional trade and trading performance of the individual CAREC member countries</p>		<ul style="list-style-type: none"> <li>Adequate resources</li> <li>Coordination with international institutions</li> <li>Stable global economy</li> <li>Commitment of governments</li> </ul>
<p><b>Short- to Medium-Term Objectives</b></p> <p><b>1. Customs Cooperation</b> To promote concerted customs reform and modernization and to serve as a regional forum to address issues of common interest</p>	<ul style="list-style-type: none"> <li>Simplification/Harmonization of Customs Procedures and Documentation</li> <li>Cargo manifest harmonized</li> <li>Accession to the Revised Kyoto Convention</li> <li>Customs Automation</li> <li>Automation system adopted (Kyrgyz Republic, Tajikistan) and upgraded (Mongolia)</li> </ul>	<ul style="list-style-type: none"> <li>Support to pilot initiatives including: <ul style="list-style-type: none"> <li>PRC and Kazakhstan</li> <li>PRC and Mongolia</li> </ul> </li> <li>Training Program on Customs Automation</li> </ul>	

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/ Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
	<ul style="list-style-type: none"> <li>• Data Exchange</li> <li>• Data elements for cargo manifests and customs declaration harmonized</li> <li>• Technology solutions for data exchange agreed bilaterally</li>   <li>• Joint Customs Control</li> <li>• Pilot testing implemented and extended to other countries</li>   <li>• Risk Management, Post Entry Audit, and Customs Intelligence</li> <li>• Risk Management practices adopted and upgraded</li> <li>• Regional Transit Development</li> <li>• PRC's accession to TIR Convention</li> <li>• Bilateral/Trilateral Transit Agreements signed and implemented</li> <li>• Framework for Customs Cooperation</li> <li>• Bilateral agreements on mutual administrative assistance and customs cooperation signed and implemented</li> <li>• Training and Capacity Building <ul style="list-style-type: none"> <li>- Training provided to customs agencies in the designated priority areas</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Provision of technical support to participating countries on data exchange</li> <li>• Support to pilot testing for: <ul style="list-style-type: none"> <li>- Kyrgyz Republic and Uzbekistan</li> <li>- Tajikistan and Kazakhstan</li> </ul> </li> <li>• Support to bilateral initiatives including: <ul style="list-style-type: none"> <li>- Kazakhstan and PRC</li> <li>- PRC and Mongolia</li> <li>- Kyrgyz Republic and Kazakhstan</li> </ul> </li>   <li>• Workshop to share experience and harmonize approaches</li> </ul>	

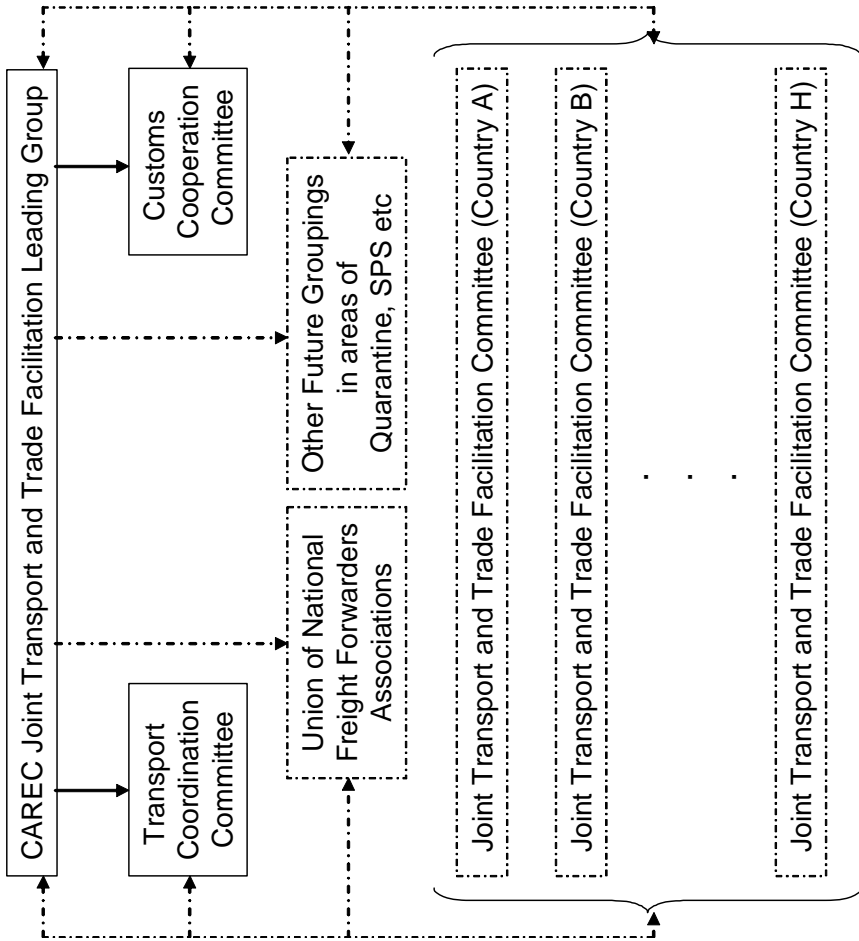
Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p><b>2. Integrated Trade Facilitation</b> To support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector</p>	<ul style="list-style-type: none"> <li>• Establish a regional mechanism for integrated trade facilitation to complement and strengthen the CAREC Customs Cooperation Committee Process</li> <li>• Establish National (Transport and) Trade Facilitation Committees</li> <li>• One-stop and single electronic window services</li> <li>• Priority trade facilitation support for the designated CAREC transport/ economic corridors</li> <li>• Bilateral initiatives to pilot integrated trade facilitation approach</li> <li>• Accession to international conventions in support of integrated trade facilitation</li> <li>• Establish a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve coordination and develop good practice models</li> <li>• Managing for Results</li> <li>• Establish a monitoring mechanism to measure performance including time/cost/distance surveys, user surveys and administrative data from national agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Annual meeting of the CAREC Trade Facilitation Committee</li> <li>• Support, in conjunction with ESCAP, for establishing and work program design</li> <li>• Single window workshop (2008)</li> <li>• Enhance ongoing bilateral initiatives</li> <li>• Monitor and support accession to and implementation of international conventions for (Transport and) Trade Facilitation in conjunction with the CAREC TCC and ESCAP</li> <li>• One day roundtable meetings immediately prior to CCC/TF sessions</li> <li>• Harmonize support programs</li> <li>• Measure progress</li> <li>• Build on work of ESCAP, WB and other development partners to establish benchmarks and measure progress <ul style="list-style-type: none"> <li>- Emphasize on monitoring designated CAREC corridors</li> </ul> </li> </ul>	

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/ Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>3. Trade Logistics</b> To facilitate the development of an efficient regional logistics industry	<ul style="list-style-type: none"> <li>• Provide a regional forum to harmonize and plan trade logistics development</li> <li>• Support national level trade logistics assessments</li> <li>• Facilitate and finance and public-private partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake assessments in CAREC countries</li> <li>• Prepare project proposals suitable for inclusion in bilateral investment programs</li> </ul>	

CAREC = Central Asia Regional Economic Cooperation, CCC = Customs Cooperation Committee, ESCAP = United Nations Economic and Social Commission for Asia and the Pacific, PRC = People's Republic of China, TIR = Transports Internationaux Routiers, TF = Trade Facilitation.

PROPOSED ORGANIZATION FRAMEWORK FOR SUPPORTING TFFS

Organization Arrangement



Strategy and Action Plans

- Joint Transport and Trade Facilitation Strategy
- Joint Transport and Trade Facilitation Action Plan
- TSCC & CCC work programs
- Work programs of UNFFA and other groups
- work programs of national joint transport and trade facilitation committee

## CAREC TRADE FACILITATION WORK PROGRAM, 2007–2009

Activities	Rationale	Date/ Source of Fund
<b>Simplification/Harmonization of Customs Procedures</b>		
<p><b>Workshop on the Single Administrative Document (SAD) and Data Harmonization</b></p> <ul style="list-style-type: none"> <li>• To be co-organized by UNECE/EURASEC/ADB</li> <li>• Major topics include:</li> <li>• Single Administrative Document</li> <li>• Data Harmonization and Single Windows (international best practices, tools, and procedures)</li> <li>• Working Group meetings to develop a work plan for building Single Window and Data Harmonization</li> </ul>	<p>During the 6<sup>th</sup> CCC Meeting, the CCC emphasized the need for continued focus on existing priority areas of the CCC and a systematic approach in complementing individual member countries' customs simplification and harmonization, as well as modernization efforts through training and knowledge forums/seminars, in cooperation with international organizations and customs administrations that support the Program.</p> <p>This workshop will bring forth international organizations, such as WCO, UNECE, and EURASEC, to discuss key issues and procedures on SAD and data harmonization. This will also trigger CAREC countries to initiate the development of a work program to establish and implement SAD and data harmonization (e.g. Single Window). The activity also reaffirms the September 2007 SOM's statement regarding the "desirability of coordinating with non-CAREC neighboring countries and sub-regional organizations."</p>	
<p><b>Consultation and Advisory support for pilot initiatives</b> including:</p> <ul style="list-style-type: none"> <li>• PRC and Kazakhstan</li> <li>• PRC and Mongolia</li> </ul>		
<b>Customs Modernization</b>		
<p><b>Tailor made training programs on specific issues regarding Customs Automation</b></p>		
<b>Data Exchange</b>		
<p><b>Workshops to study the WCO Data Model</b></p>	<p>During the 6<sup>th</sup> CCC Meeting, the CCC emphasized the need for continued focus on existing priority areas of the CCC and a systematic approach in complementing individual member countries' customs simplification and harmonization, as well as modernization efforts in cooperation with international organizations and customs administrations that support the Program.</p> <p>WCO Data Model has been widely introduced and discussed amongst CAREC customs officials as a tool to standardize, harmonize and reduce Customs data requirements, gearing towards improving flow of goods</p>	

Activities	Rationale	Date/ Source of Fund
<p><b>Provision of technical support to participating countries on data exchange; Support to pilot testing for:</b></p> <ul style="list-style-type: none"> <li>• Kyrgyz Republic and Uzbekistan</li> <li>• Tajikistan and Kazakhstan</li> </ul>	<p>across international Improve flow of goods across international borders and reduce industry costs. To date, the WCO Data Model incorporates other WCO standardization instruments (Revised Kyoto Convention, ICT instruments (Revised Kyoto Convention, ICT Guidelines and Unique Consignment Guidelines and Unique Consignment Reference).</p> <p>Having introduced the model, it is imperative to look at possibilities of implementing it to CAREC countries. The study as proposed shall dwell on applicability of the Data Model to current Customs practices within the CAREC, illustrate case studies that will give empirical evidences of the viability of the Model to Customs administration, and ultimately formulate a feasibility of having a regional data model.</p>	
<b>Joint Customs Control</b>		
<p><b>Seminar on Integrated Border Management</b> Topics comprise:</p> <ul style="list-style-type: none"> <li>• Legal issues in connection with integrated border management approach</li> <li>• International best practices, challenges and prospects for CAREC</li> <li>• Working group meetings and consultations on the side, but related to the seminar theme</li> </ul>	<p>As stipulated in the joint statement of the CCC during its 6<sup>th</sup> annual meeting, coordination with other trade related agencies and stakeholders for overall trade facilitation is needed. In fact, “the CCC requested assistance from ADB to support a training of experts on the development and implementation of Integrated Border Management”. Accordingly, the initiative will help CAREC countries achieve “open borders for trade, tourism and other forms of legitimate movement of persons and goods, but borders that are secured and controlled in relation to the threats posed by illegal migration, trafficking in human beings, activities of criminal networks and terrorism.” This will require participation of all trade-related agencies, such as immigration, quarantine, security-related agencies, and customs, among others. This could also reinforce the objective of the ADB-UNECE-EURASEC to promote the establishment of a national single-window facility in CAREC countries.</p>	
<p><b>Field Visit to Singapore/Malaysia or other ASEAN border crossing focusing on</b></p>	<p>Last February 2007, ADB, in partnership with the Royal Thai Customs, sponsored a seminar on implementation challenges in joint customs</p>	



Activities	Rationale	Date/ Source of Fund
<p><b>Customs Automation and Joint Customs Control</b></p>	<p>control. Later in May, ADB and China Customs co-sponsored a seminar on customs automation. In order to complement the theoretical knowledge CAREC countries have obtained from these seminars, it is imperative for CAREC customs officials to undertake a field visit as to gain experience on how these modern trade facilitation tools work. In addition, CAREC countries can obtain knowledge on practical issues relating to these trade facilitation tools.</p>	
<p><b>Consultation and Advisory support for bilateral initiatives</b> including:</p> <ul style="list-style-type: none"> <li>• Kazakhstan and PRC</li> <li>• PRC and Mongolia</li> <li>• Kyrgyz Republic and Kazakhstan</li> </ul>		
<b>Risk Management, Post-Entry Audit, Customs Intelligence</b>		
<p><b>Seminar/Forum on Risk Management, Post-Entry Audit, Customs Intelligence</b></p> <p>Topics comprise:</p> <ul style="list-style-type: none"> <li>• International best practices on the risk management and post entry audit with emphasis on case studies illustrating problems and solutions</li> <li>• Showcase of different customs intelligence models and case studies illustrating problems and solutions</li> <li>• Working group meetings and consultations on the side, but related to the seminar theme</li> </ul>	<p>Last February 2007, ADB, in partnership with the Royal Thai Customs, sponsored a seminar on implementation challenges in risk management and post-entry audit.</p> <p>To augment CAREC officials' knowledge on risk management and post-entry audit, it is worthwhile to conduct another seminar on these areas but including case studies on how a certain country/customs administration solved a specific trade facilitation-related concern using these techniques. In addition, the seminar will include technical discussion on customs intelligence while showcasing different models for possible implementation in the CAREC region.</p>	
<b>Priority Area No. 5—Regional Transit Development</b>		
<p><b>Seminar/Forum on the 6 CAREC corridors</b></p> <p>Topics comprise:</p> <ul style="list-style-type: none"> <li>• Presentation of results of the survey on BCPs along the 6 CAREC corridors</li> <li>• Presentation of results of the study on the use of "safe packet system" along the six CAREC corridors</li> </ul>	<p>The activity reaffirms the new regional trade facilitation strategy, which partly intends to focus trade facilitation efforts on the designated priority CAREC transport corridors. In addition, the study on "safe packets" reaffirms CCC's consideration of the proposal of Kazakhstan during the 6<sup>th</sup> CCC Meeting.</p> <p>To date, limited information on the current state of the border crossing</p>	

Activities	Rationale	Date/ Source of Fund
<ul style="list-style-type: none"> <li>Share experience of TIR and harmonize approaches</li> <li>Working group meetings and consultations on the side, but related to the seminar theme</li> </ul>	<p>points are readily available, including their current traffic volume, hindrances at the border crossings, as well as economic and financial sustainability of infrastructure, management and technology utilized in these BCPs.</p> <p>A comprehensive survey on these BCPs will elicit these vital information for CAREC countries to identify the needed intervention to make these BCPs more efficient for regional trade and transit, thus ultimately increasing the viability of the six CAREC corridors.</p> <p>A seminar/forum on these areas will bring together CAREC trade facilitation officials to discuss and formulate a common work program based on the findings of the studies.</p>	
<ul style="list-style-type: none"> <li>Survey on the border crossing points (BCPs) and trade facilitation issues along each of the identified six CAREC corridors</li> <li>Study on the use of “safe packets” for movement of goods across border crossing points along the six identified corridors in the region, as proposed by Kazakhstan</li> </ul>	<p>The activities reaffirm the new regional trade facilitation strategy, which partly intend to focus trade facilitation efforts on the designated priority CAREC transport corridors. In addition, the study on “safe packet system” reaffirms CCC’s consideration of the proposal of Kazakhstan during the 6<sup>th</sup> CCC Meeting.</p> <p>To date, limited information on the current state of the border crossing points are readily available, including their current traffic volume, hindrances at the border crossings, as well as economic and financial sustainability of infrastructure, management and technology utilized in these BCPs.</p> <p>A comprehensive survey on these BCPs will elicit these vital information for CAREC countries to identify the needed intervention to make these BCPs more efficient for regional trade and transit, thus ultimately increasing the viability of the six CAREC corridors.</p>	
<b>Framework for Customs Cooperation</b>		
<p><b>Engagement of an Expert on bilateral data exchange to establish a framework on a possible pilot implementation within CAREC</b></p>	<p>During the 5<sup>th</sup> CCC Meeting, CCC members requested assistance to provide an expert on a possible Data Exchange Project in CAREC.</p> <p>The CCC, in its 6<sup>th</sup> Annual Meeting, reaffirmed and recognized the importance of and the need to [continuously] provide technical support to</p>	

Activities	Rationale	Date/ Source of Fund
	bilateral initiatives, particularly on the efforts to establish single information space on a bilateral level.	
<b>Training and Capacity Building</b>		
<p><b>One seminar in the PRC (any location) senior customs officials and one workshop in Shanghai Customs College per year for and mid-level customs officials<sup>7</sup></b></p> <ul style="list-style-type: none"> <li>• To be co-sponsored by ADB and China Customs (in Shanghai Customs College)</li> </ul>	<p>During the 6<sup>th</sup> CCC Meeting, CCC members requested assistance from ADB to support, in cooperation with China Customs, one seminar in China and one workshop in Shanghai Customs College per year for senior and mid-level customs officials in the coming 2 to 3 years.</p> <p>The agenda for the seminar series would be policy issues related to customs automation, integrated border management, single-window processing/one-stop cargo inspection, etc. to encourage participation of other trade-related agencies and stakeholders.</p> <p>The agenda for the workshop series would include general customs administration and operational issues amid the rapidly changing policy and trade environment.</p>	
<b>Other Priority Areas—Expanding the Scope of Trade Facilitation Agenda</b>		
<p><b>CAREC workshop on technical assistance and capacity building in trade facilitation</b></p> <ul style="list-style-type: none"> <li>• Participants include high-level trade facilitation officials from CAREC participating countries and Donor Agencies</li> </ul> <p>Topics comprise:</p> <ul style="list-style-type: none"> <li>• Fostering synergy between CAREC trade facilitation and transport sector committees' work program</li> <li>• Possible collaboration amongst donor agencies in the CAREC region in facilitating trade</li> </ul>	<p>One of the objectives of the new trade facilitation strategies as reaffirmed during the September 2007 SOM, is to enhance partnership between the CAREC, multilateral institutions (MIs), and key international agencies supporting customs reform, trade facilitation and logistics development in the region. Likewise, the strategy seeks to broaden inter-agency coordination amongst those related to trade facilitation, extending beyond customs administrations. Hence, the proposed CAREC workshop on technical assistance and capacity building in trade facilitation will put these institutions on-board the trade facilitation agenda, thus forging new partnerships in the CAREC region to address broader issues of trade facilitation.</p>	

<sup>7</sup> The seminar (any topic) in the PRC is intended for high level CAREC customs officials to participate on any policy debate centering on trade facilitation initiatives of the CAREC TF program. Meanwhile, the workshop in Shanghai Customs College is for mid-level customs officials to dwell on technical and administrative issues related to the program.

Activities	Rationale	Date/ Source of Fund
<p><b>Seminar/Training on tools and methodologies in reviewing customs processes and procedures</b></p> <p>Topics comprise:</p> <ul style="list-style-type: none"> <li>• UNESCAP's Time/Cost-Distance Methodology</li> <li>• WCO Time-Release Study</li> </ul> <p>Working group meetings and consultations on the side, but related to the seminar theme</p>	<p>The draft trade facilitation strategy, as presented in the SOM, also proposes a results-based approach to monitor travel time and costs along the priority corridors, and envisages strengthening interaction with both international technical agencies and regional organizations. Essential to the fulfillment of this concern requires effective coordination with not only with other sector committees within CAREC but also with other regional cooperation mechanisms with similar agenda and approach, including UNESCAP and WCO. The use of UNESCAP survey, also known as "Time/Cost-Distance Methodology", on the 6 identified CAREC economic corridors is significant in the identification and isolation of bottlenecks along the corridors. On the other hand, the "Time-Release Study" of WCO enables customs to identify problem areas in the clearance process in order to take corrective action to increase efficiency.</p>	
<p><b>Conduct of trade logistics studies in some CAREC countries</b></p>	<p>Part of the new draft trade facilitation strategy is to support logistics assessment and planning with emphasis on the six CAREC corridors.</p> <p>To date, only PRC (Xinjiang Uygur and Inner Mongolia Autonomous Regions) and Mongolia have completed their trade logistics studies. Future intention of the program is complete national trade logistics studies for all CAREC members in 2008. Eventually, an integrative meeting in the following year will be conducted to present key findings and recommendations of these studies to the CAREC countries, which will help them in their efforts to develop an integrated approach for trade facilitation and logistics development.</p>	

BCP = border crossing point, CAREC = Central Asia Regional Economic Cooperation, CCC = Customs Cooperation Committee, ICT = information communication technology, MI = multilateral institution, SAD = Single Administrative Document, SOM = Senior Officials Meeting, UERASEC = Eurasian Economic Community, UNECE = United Nations Economic Commission for Europe, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific, WCO = World Customs Organization.

## TERMS OF REFERENCE

### CUSTOMS COOPERATION COMMITTEE

#### A. Background

1. The CAREC Customs Cooperation Committee (CCC) was created in January 2002 and endorsed by the Ministerial Conference on Regional Economic Cooperation Program hosted by the Asian Development Bank. The Committee was mandated to promote cooperation among the customs organization of the CAREC countries. The CCC has made significant achievements in bilateral cooperation and country specific customs modernization and has been successful in creating an environment of trust and cooperation among the customs services of the participating countries. Recognizing the need to comprehensively address the trade facilitation challenges in the region, CCC recently endorsed a new Trade Facilitation Strategy.

#### B. Objectives

2. The main objective of the CCC is to support the development and implementation of an integrated trade facilitation strategy as a means to accelerate economic growth and improve living standards among the CAREC member countries. Specifically, the CCC aims to promote regional trade facilitation initiatives through concerted customs reforms and modernization, strengthened inter-agency cooperation and enhanced partnerships with the private sector in order to eliminate trade and other barriers to development. The CCC shall also serve as the regional forum for addressing issues of common interest relevant to trade facilitation.

#### C. Participation

3. The CCC is currently composed of the heads and deputy heads of customs organizations of the CAREC member countries namely: Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. Turkmenistan as the observer of CAREC also participates CCC activities.

#### D. Scope of Work

4. The major areas of work for the CCC include:

- (i) **Concerted customs reform and modernization.** Continued focus on priority area<sup>1</sup> and a systematic approach in complementing individual member countries' customs simplification and harmonization as well as modernization efforts through promotion of (a) bilateral agreements and cooperation initiatives, and (b) training and knowledge forums/seminars, in cooperation with international and customs organizations involved in the region.
- (ii) **Integrated trade facilitation.** Expanding the scope of the work program from customs cooperation to a deepened interagency collaboration and enhanced partnerships between the public and private sectors to address broader issues of

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<sup>1</sup> Priority areas of the CCC: (a) Simplification/Harmonization of Customs Procedures and Documentation; (b) ICT for Customs Modernization and Data Exchange; (c) Regional Transit Development; (d) Risk Management, Post Entry Audit and Customs Intelligence; (e) Joint Customs Control; (f) Framework for Customs cooperation; and (g) Training and Capacity Building

trade facilitation and encouraging the involvement of other sector committees to foster inter-committee collaboration and cooperation within the region.

- (iii) **Efficient regional trade logistics development.** Facilitating the development of an efficient regional trade logistics industry in close cooperation with the CAREC Transport Cooperation Committee including (a) establishment of a regional forum to harmonize and plan logistics development; (b) support for national level trade logistics assessments; and (c) facilitation and financing of key investments including public-private partnerships.

## **E. Detailed Tasks**

- (i) Coordinate, facilitate and support customs reform and modernization efforts of member countries including bilateral agreements and regional cooperation initiatives.
- (ii) Direct and supervise the implementation of the new trade facilitation strategy/action plan including the establishment of an appropriate organizational structure to ensure effective leadership and efficient implementation. Regularly review progress of work and formulate policy recommendations for the consideration of their respective governments.
- (iii) Serve as a regional forum to raise, discuss and resolve issues of common interest relating to barriers to trade and development.
- (iv) Coordinate with the other sector committees such as transport cooperation committee and the trade policy committee and with regional cooperation mechanisms such as Shanghai Cooperation Organization, European Asian Economic Cooperation and others.
- (v) Encourage the participation and involvement of allied development partners, multilateral development agencies and the private sector in the implementation of the goals of the trade facilitation program and foster inter-committee collaboration and cooperation within CAREC.
- (vi) Supervise and review the conduct of studies that support the effective and efficient implementation of the trade facilitation action plan including the conduct of surveys to establish benchmarks, identify inefficiencies and provide basis for policy and implementation decisions.
- (vii) Supervise the design and conduct of capacity building programs (trainings, seminars and knowledge sharing) to strengthen implementation capabilities of customs organizations and other involved agencies.

**MATRIX OF SELECTION CRITERIA FOR CAREC CORRIDORS**

Corridors	High Current Traffic Volume	Prospect for economic and trade growth	Capacity to increase connectivity between major population and economic centers	Potential to mitigate delays	Economic and financial sustainability of investing in corridor improvements
<p style="text-align: center;"><b>CAREC 1</b> Europe – East Asia</p>	<p>This is the most active corridor for CA export/import and transit traffic both by road and rail.</p>	<p>Prospect for economic growth remains very good. Witness the high growth in trade between Europe and PRC and construction of the new Khorgas rail connection.</p>	<p>1-b provides good population connectivity Corridor connects major economic centers in Kazakhstan, passing through Astana and Almaty.</p>	<p>Construction of Khorgas line will resolve capacity problems. Few border crossings and therefore high prospect to mitigate delays.</p>	<p>Good prospect for investments in corridor improvements, as EDI is already being used on a limited basis and logistic centers exist or are going to be established.</p>
<p style="text-align: center;"><b>CAREC 2</b> Mediterranean – East Asia</p>	<p>This is a TRACECA corridor, with significant trade volumes for CA export/import.</p>	<p>Trade prospect along the corridor is very good. Transport pattern is currently dominated by oil products, but will change with construction of additional pipelines.</p>	<p>This corridor brings strong connectivity throughout Central Asia.</p>	<p>This corridor scores average on this criterion because of intermodal (by sea via Black Sea and Caspian Sea; and by road in Kyrgyz Republic) potential and the relatively high number of border crossings.</p>	<p>Prospect to implement logistic centers are good. The fact that it involves many countries may act as a limitation.</p>
<p style="text-align: center;"><b>CAREC 3</b> Russian Federation – Middle East and South Asia</p>	<p>Presently limited volume from Siberia (timber) and large volume between Karachi and Kabul.</p>	<p>This could offer great potential for exports of Siberian timber and minerals and metals from Siberia and Kazakhstan, with general goods coming from Arabian Sea to CA.</p>	<p>Good connectivity (population-economic centers); also connects forest products and mining regions in north and gulf oil production.</p>	<p>Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion.</p>	<p>This is a railway corridor which should make use of block trains. The fact that it involves many countries may act as a limitation.</p>

Corridors	High Current Traffic Volume	Prospect for economic and trade growth	Capacity to increase connectivity between major population and economic centers	Potential to mitigate delays	Economic and financial sustainability of investing in corridor improvements
<b>CAREC 4</b> Russian Federation – East Asia	Heavy rail traffic in Mongolian railway.	The Central Corridor will continue to expand with traffic growing on the rail and road. With the completion of the western road, trade between Xinjiang and Russia will expand. Traffic on the western corridor will grow.	Little population connectivity; some interesting economic centers connectivity	Prospects for mitigation of delays are very good on this corridor	Prospects for improvements are very good; new technology can be introduced easily on the rail link.
<b>CAREC 5</b> East Asia – South Asia	Traffic varies along stretches. Presently more export/import traffic than transit.	Substantial prospect for Pakistan-PRC trade. The corridor is a better alternative than through the Karakoram Highway	Potential for economic resource connectivity between PRC and Pakistan.	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion.	Situation in Afghanistan and efficiency of the Pakistan Railway may limit prospect for improvement.
<b>CAREC 6</b> Europe – Middle East and South Asia	Relatively high rail traffic on the Uzbek and Kazak part and the Afghan border to Pakistan.	Faster and cheaper route from Europe to Arabian Sea implies potential for the corridor to compete with the all-sea route.	Potential for economic resource connectivity between North Europe and Gulf region.	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion.	Situation in Afghanistan and efficiency of the Pakistan Railway may limit prospect for improvement.

Source: CAREC Transport Sector Strategy Study.



### Summary of the CAREC Six Corridors

No.	Direction	Route
1	Europe – East Asia	Troitsk (RUS)/Kairak (KAZ)–Astana (KAZ)–Dostyk (KAZ)/Ala Shankou (PRC)–Urumqi (PRC)–Hexi (PRC)
	1a	Troitsk (RUS)/Kairak (KAZ)–Astana (KAZ)–Dostyk (KAZ)/Ala Shankou (PRC)–Urumqi (PRC)–Hexi (PRC)
	1b	Kos Aral (RUS)/Zhaisan (KAZ)–Symkent(KAZ)–Almaty (KAZ)–Korgas(KAZ)/Khorgos (PRC)–Urumqi (PRC)–Hexi (PRC)
2	Mediterranean – East Asia	Troitsk (RUS)/Kairak (KAZ)–Astana (KAZ)–Merke (KAZ)/Chaldovar (KGZ)–Bishkek (KGZ)–Torugart (KGZ/PRC)–Kashi (PRC)–Hexi (PRC)
	1c	Troitsk (RUS)/Kairak (KAZ)–Astana (KAZ)–Merke (KAZ)/Chaldovar (KGZ)–Bishkek (KGZ)–Torugart (KGZ/PRC)–Kashi (PRC)–Hexi (PRC)
	2a	Gabdabani (GEO)/Beyuk Kesik (AZE)–Baku (AZE)–Aktau (KAZ)– Neineu(KAZ)/Karakalpakya (UZB)–Tashkent (UZB)–Osh (KGZ)–Irkeshtam (KGZ/PRC)–Kashi (PRC)–Hexi (PRC)
3	Russian Federation – Middle East and South Asia	Gabdabani (GEO)/Beyuk Kesik (AZE)–Baku (AZE)–Turkmenbashi (TKM)–Frap (TKM)/Alat (UZB)–Tashkent (UZB)–Osh (KGZ)–Irkeshtam (KGZ/PRC)–Kashi (PRC)–Hexi (PRC)
	2b	Gabdabani (GEO)/Beyuk Kesik (AZE)–Baku (AZE)–Turkmenbashi (TKM)–Frap (TKM)/Alat (UZB)–Tashkent (UZB)–Osh (KGZ)–Irkeshtam (KGZ/PRC)–Kashi (PRC)–Hexi (PRC)
	3a	Veselayarsk (RUS)/Aul (KAZ)–Almaty (KAZ)–Tashkent (UZB)–Alat (UZB)/Frap (TKM)
4	Russian Federation – East Asia	Veselayarsk (RUS)/Aul (KAZ)–Almaty (KAZ)–Bishkek (KGZ)–Osh (KGZ)–Dushanbe (TAJ)–Termez (UZB)–Hairatan (AFG)–Islam Qala (AFG)/Dogharoun (Iran)
	3b	Veselayarsk (RUS)/Aul (KAZ)–Almaty (KAZ)–Bishkek (KGZ)–Osh (KGZ)–Dushanbe (TAJ)–Termez (UZB)–Hairatan (AFG)–Islam Qala (AFG)/Dogharoun (Iran)
	4a	Tashanta (RUS)/Ulaanbaishint (MON)–Hovd (MON)–Yarant (MON)/ Takeshiken (PRC)–Urumqi (PRC)
5	East Asia – South Asia	Naushki (RUS)/Sukbaatar (MON)–Ulaanbaatar (MON)–Zamyn-Uud (MON)/Erehot (PRC)
	4b	Naushki (RUS)/Sukbaatar (MON)–Ulaanbaatar (MON)–Zamyn-Uud (MON)/Erehot (PRC)
	5a	Hexi (PRC)–Kashi (PRC)–Irkeshtam (PRC/KGZ)–Sary Tash (KGZ)–Karmaik (KGZ/TAJ)–Dushanbe (TAJ)– Nizhini Pianji (TAJ)/Sherkhan Bandar (AFG)–Kabul (AFG)–Torkham (AFG)/Landi Kotal (PAK)
6	Europe – Middle East and South Asia	Aksarayskaya (RUS)/Ganyushking (KAZ)–Beineu (KAZ)/ Karakalpakya (UZB)–Termez (UZB)/Hairatan (AFG)–Islam Qala (AFG)/Dogharoun (Iran)
	6a	Aksarayskaya (RUS)/Ganyushking (KAZ)–Beineu (KAZ)/ Karakalpakya (UZB)–Termez (UZB)/Hairatan (AFG)–Islam Qala (AFG)/Dogharoun (Iran)
	6b	Kos Aral (RUS)/Zhaisan (KAZ)–Saryagashi (KAZ)/Keles (UZB)–Tashkent (UZB)–Termez (UZB)/Hairatan (AFG)–Islam Qala (AFG)/Dogharoun (Iran)
6c	Kos Aral (RUS)/Zhaisan (KAZ)–Saryagashi (KAZ)/Keles (UZB)–Tashkent (UZB)–Khavast (UZB)/Istaravshan (TAJ)–Dushanbe (TAJ)– Nizhini Pianji (TAJ)/Sherkhan Bandar (AFG)–Kabul (AFG)–Torkham (AFG)/Landi Kotal (PAK)	

Notes: AFG=Afghanistan; AZE=Azerbaijan; GEO=Georgia; KAZ=Kazakhstan; KGZ=Kyrgyz Republic; MON=Mongolia; PRC=People's Republic of China; PAK=Pakistan; RUS=Russian Federation; TAJ=Tajikistan; TKM=Turkmenistan; and UZB=Uzbekistan.