
10th Ministerial Conference/Senior Officials' Meeting on Central Asia Regional Economic Cooperation
22–24 November 2011
Baku, Azerbaijan
I. OVERVIEW OF PROGRESS

1. The trade facilitation program of the Central Asia Regional Economic Cooperation (CAREC) is comprised of two components: (i) customs cooperation, which entails concerted customs reform, modernization, and cooperation; and (ii) integrated trade facilitation, which promotes efficient regional trade logistics development, focusing on priority trade corridors, single window (SW) facilities, enhanced interagency cooperation and public–private partnerships, support for joint transport and trade facilitation committees, and capacity building.

2. The customs administration of the member countries reported substantial progress in the five priority areas of the Customs Cooperation Committee (CCC).1 All CAREC countries have adopted new and/or amended customs codes as per the Revised Kyoto Convention, and made significant progress toward simplifying and harmonizing customs procedures. Most countries are also investing in automated customs information systems. These initiatives stimulated and accelerated the legal and regulatory reforms necessary to allow electronic processing of customs clearance procedures.2 All countries, at varying paces, are moving toward establishing national single windows and upgrading their risk management systems.

3. To complement the CCC process, inter-agency cooperation and partnership with the private sector were strengthened further. The CAREC Federation of Carrier and Forwarder Associations (CFCFA), established in 2009 with 14 member associations from the eight original CAREC member countries, now has 18 members; associations from Pakistan and Turkmenistan are expected to apply for membership. The Federation has an approved constitution and it elected a set of officers in 2010. Three working groups were created at the August 2011 CFCFA annual meeting held in Issyk-kul, Kyrgyz Republic and priority projects were identified for implementation in 2011–2012.

4. The 8th and 9th CAREC Ministerial Conferences (MC) endorsed actions to address physical infrastructure needs at border crossing points (BCPs) along each of the six priority CAREC corridors and establish network of national SW facilities through a Regional Improvement of Border Services (RIBS) project. In January 2011, the Asian Development Bank (ADB) approved technical assistance to prepare the RIBS project. ADB has engaged a consulting firm to perform due diligence on these BCPs to determine their economic, technical, and financial feasibility. More than a dozen pairs of border crossing points (BCPs) have been identified for possible inclusion in the project to be proposed for ADB financing.

II. KEY DEVELOPMENTS

A. Customs Cooperation

5. Notable progress was reported in the CCC priority areas in 2010. In June 2011, Azerbaijan adopted a new customs code which complies with the Revised Kyoto Convention. Most CAREC customs services are investing in automated customs information systems, as

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1 The five identified priority areas of CCC are (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 (JCC), and (v) regional transit development.

2 Reforms include amending customs codes to be compliant with international standards, standardizing and streamlining documents, and adopting new laws to support e-commerce development.
well as making a strong effort, in coordination with other related agencies, to develop national single windows. Progress has also been seen in the areas of joint customs control (JCC) and time release study (TRS), two particular measures that the CCC has been pursuing that will contribute to RIBS project formulation.

6. **Joint Customs Control.** A joint review of the results of JCC pilots at the People’s Republic of China (PRC)–Kazakhstan and PRC–Mongolia BCPs will be conducted to help plan further steps. PRC and Mongolia agreed to expand the pilot to one more pair of BCPs beginning in November 2011. They also agreed to pilot an exchange of x-ray images and to explore the possibility of harmonizing electronic cargo manifests. The three countries were encouraged to discuss among themselves next steps to be taken and inform ADB of specific assistance needed. The results of the pilot projects are proposed to be disseminated to member countries.

7. In partnership with the World Customs Organization (WCO), a CAREC Time Release Study Planning Workshop was conducted in Tashkent, Uzbekistan on 29 March 2011 to train relevant customs officials on conducting TRS and performing complementary analysis. The TRS results aim to complement the time cost distance data gathered under the Corridor Performance Measurement and Monitoring (CPMM) project. In addition, the results of the TRS will also feed into the feasibility studies for the proposed RIBS project. Mongolia has started to implement the TRS at some of their borders and have identified causes of delay. A follow-up TRS training was also held for about 33 Uzbekistan customs officials on 24 June 2011 to provide more hands-on experience in using the WCO software and in customizing the questionnaire to the needs and situation of the Uzbekistan border crossing points. Afghanistan and Pakistan have requested similar in-country training on TRS to help them launch their own TRS program.

8. **Capacity Building.** Specialized training for customs officials continues to be provided in close coordination with development partners such as the WCO and Shanghai Customs College. ADB and the General Administration of Customs of the People's Republic of China co-sponsored a Customs Modernization Training Course held at the Shanghai Customs College, Shanghai, PRC on 8–18 June 2011 for the Mongolia Customs and on 15–24 September 2011 for CAREC customs officials. A specialized customs seminar for Kazakhstan Customs is expected to be held before the end of 2011, and a course designed to facilitate Mongolia’s access to global markets may be prepared and delivered in 2012. Expertise sharing in the specialized field of customs control for pipeline-transported energy products was also supported through study tours and dialogues. Urumqi Customs visited their counterparts in Turkmenistan, Uzbekistan, and Kazakhstan to discuss and share information and experiences on trade policies, legislation on customs control, regulations and laws related to crude oil and natural gas and its products and its transport by pipeline. The CCC noted the need to involve the CAREC Energy Sector Committee in this matter.

9. **Streamlining CCC Business Processes.** The CAREC National Focal Points (NFPs) Meeting held in Beijing on 16 September 2011 encouraged sector committees to enhance their work by improving their business processes (hosting arrangements, working group structure, and meeting formats). The 10th CCC meeting agreed to adopt the synchronized rotation with the proviso that the host country should be given the option of not hosting the sector committee meetings. As for working group structure, the CCC agreed to put more emphasis on implementable tasks, and that special task forces can be formed per initiatives of a country or a group of countries. A need for more focused and more interactive meetings was also noted and the CCC agreed that more roundtable discussions (and less presentations) on issues will be encouraged in the future. Discussion papers or short issues notes should be prepared and sent
to participants at least 3 weeks before the meeting. ADB was requested to provide necessary financial and secretariat support to implement these measures.

B. Integrated Trade Facilitation

10. **Regional Improvement of Border Services Project.** Following the approval of the regional project preparatory technical assistance (R-PPTA) by ADB in January 2011, a workshop with CAREC National Joint Transport and Trade Facilitation Coordinating Committees (NJCs) held in January in Bangkok discussed the coordination mechanism for the project, particularly the role of NJCs in project preparation. Consultants have reviewed BCP investment needs in Azerbaijan (AZE), Uzbekistan (UZB), Kyrgyz Republic (KGZ), Tajikistan, Mongolia (MON), Kazakhstan (KAZ) and People’s Republic of China (PRC). Visits to BCPs in Afghanistan are being planned. 13 pairs of BCPs have been identified for possible inclusion in RIBS and portions of single window development in KGZ, MON, and TAJ are expected to be covered. Pakistan has requested that three of their BCPs be included in the project. Turkmenistan (TKM) has requested a consultation mission to help them decide on the extent of their project participation. The final draft preparation report is under review and memoranda of understanding are being prepared. ADB financing for the proposed project is approximately $150 million. A regional coordination unit has been set up in Almaty.

11. The **CAREC Federation of Carrier and Forwarder Associations (CFCFA)** accepted four new members in 2010, bringing the total number of members to 18. Pakistan and Turkmenistan associations are expected to apply for membership in the next few months. The CFCFA sponsored a series of events in Chongqing, PRC in February 2011, including a Business Networking Forum which brought together over 200 attendees and provided an opportunity for the transport operators and freight forwarders in the PRC to meet and network with their CAREC counterparts. A CFCFA website (www.cfcfa.net) was developed to provide information on the activities of CFCFA and an interactive page for the corridor performance measurement and monitoring results. At the 2nd CFCFA annual meeting held in Issyk-Kul in August, three working groups convened: (i) standardization and adoption of international practices; (ii) cross-border and corridor development; and (iii) organization and funding. The three working groups identified priority projects to be implemented in 2011–2012, including standardization of documentation, holding Financial Services and Logistics Forum and Business Development Forum II, and seeking ways to ensure CFCFA sustainability.

12. The **Corridor Performance Measurement and Monitoring Project** has been implemented for 2.5 years in partnership with the CFCFA. Data collection, analytical framework, and report preparation have been further streamlined to ensure consistency of the reports. A number of international organizations and other units in ADB have expressed interest to learn more about the CPMM methodology with a view to adopting it in their own programs. CPMM contributes the following indicators to the CAREC Development Effectiveness Framework (DEfR): (i) time taken to clear a border-crossing point, (ii) costs incurred at border-crossing clearance, (iii) cost incurred to travel a corridor section, and (iv) speed to travel on CAREC corridors.

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<thead>
<tr>
<th>CPMM Indicators</th>
<th>1st Quarter 2011</th>
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<tbody>
<tr>
<td><strong>TF1</strong></td>
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<tr>
<td>Time taken to clear a border crossing point (hour)</td>
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<tr>
<td>Mean</td>
<td>7.3</td>
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<tr>
<td>Median</td>
<td>3.6</td>
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<tr>
<td><strong>TF2</strong></td>
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<td>Costs incurred at border crossing clearance (US$)</td>
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<tr>
<td>Mean</td>
<td>140.0</td>
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<tr>
<td>Median</td>
<td>85.0</td>
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<tr>
<td><strong>TF3</strong></td>
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<tr>
<td>Cost incurred to travel a corridor section (US$)</td>
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### Table

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<th>Mean 964.2</th>
<th>Median 647.3</th>
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<tr>
<td>TF4</td>
<td>SWOD 40.3</td>
<td>SWD 30.9</td>
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**TF** = Trade facilitation, **SWOD** = speed without delay, **SWD** = speed with delay.

- Almost all corridors experience delays at BCPs of up to 20 hours (average is 7.3 hours—waiting time averages about 9.2 hours; customs clearance averages 2.3 hours, and loading/unloading averages 4.2 hours).
- Delay-inducing activities, which include clearance activities at BCPs and police and other inspections along the corridors, reduce speed of travel by 11–22%.
- The major cost items in clearing goods at BCPs are customs clearance ($92) and loading/unloading ($136).

13. **Capacity Building for Integrated Trade Facilitation.** One of the major objectives of CFCFA is to raise the level of professionalism, efficiency, and quality of CAREC road carriers, freight forwarders, and logistics companies through mutual cooperation efforts. Trade logistics management training was held in Tashkent on 22–24 December 2010 for private sector associations; similar training is planned for Urumqi, PRC later this year and in Kazakhstan and Mongolia in 2012. A special training course for Mongolia freight forwarders and road carriers was also held at the Shanghai Maritime University with the help of the China International Federation of Forwarders Association (CIFA, PRC member of CFCFA).

### III. WORK PLAN FOR LATE 2011–2012

14. The following are proposed priority areas for the trade facilitation sector for the period late 2011–2012:

- completing the preparation and supporting the implementation of the RIBS project in partnership with other relevant agencies;
- conducting TRS and providing necessary capacity building;
- reviewing the JCC experience, expanding JCC pilots to other BCPs, and deepening JCC pilots by exploring cooperation in other aspects such as sharing data electronically;
- developing EDI and other modern tools for electronic exchange of information for implementing comprehensive JCC and risk management programs, and providing necessary capacity building;
- continuing to organize training on customs modernization in collaboration with the WCO-designated regional training institutions, particularly with a view to enhancing member countries’ capacity of implementing the 10 building blocks of the Customs in the 21st Century (C-21) agenda;
- continuing to explore measures to improve the effectiveness of the work of the CCC;
- mid-term review of the implementation of Action Plan of TTFS;
- 11th CCC meeting;
- 3rd CFCFA Annual Meeting;
- continuing the CPMM and support for priority projects of the CFCFA (Financial Services and Logistics Forum, Business Development Forum);
- continuing capacity building on logistics management and standardization of documents; and
- exploring opportunities of cooperation between CCC and CFCFA, including jointly organizing capacity building activities.
IV. ISSUES

15. The following are key issues related to the trade facilitation sector:

- **Possible impact of the Russia-Belarus-Kazakhstan Customs Union on the trade facilitation program.** The consequences of the creation of the customs union on the priority areas of the Customs Cooperation Committee need more serious consideration. Initial reports suggest that the enforcement of rules of origin of goods have restricted dairy, textile, and agricultural imports into the Customs Union. An impact assessment is examining data gathered under CPMM and evaluating responses to questionnaires submitted by CAREC Customs administrations and CFCFA affiliates. The report will be circulated upon completion (by the end of 2011). Russia’s impending accession to the World Trade Organization and the Kyrgyz Republic’s possible accession to the Customs Union might also affect the Customs Union’s impact.

- **Integration of private sector into trade facilitation activities.** The CFCFA can be a useful catalyst for mobilizing private sector investment in improving transport and trade in the region. CFCFA member associations have shown strong ownership of its program and CFCFA has demonstrated its capability in attracting new members, mobilizing human and financial resources, and organizing events. However, to optimize contributions of CFCFA in the CAREC trade facilitation program, more integration will be needed between CFCFA and its members, NJCs, and other CAREC bodies. It is important that CAREC national focal points are better informed about CFCFA activities, and show their support.

- **Moving the CCC forward to undertake joint activities.** A review of the past 9 years of customs cooperation showed good accomplishments in a number of priority areas such as harmonizing laws and regulations to comply with international standards, automation of customs clearance, and adoption of risk management techniques. However, most of these were more parallel activities rather than joint cooperative activities. Joint customs control pilots in selected BCPs and regional transit arrangements are two joint activities that have seen progress through pilots. The proposed RIBS project will provide an opportunity for CCC members to implement investments jointly. Such implementation activities will further strengthen the region’s customs cooperation program.

- **Integrating Pakistan and Turkmenistan into the CAREC trade facilitation programs.** Turkmenistan Customs has participated in the CCC meetings and workshops in the past and is familiar with the CCC, while Pakistan attended its first CCC meeting in September 2011. CFCFA is keen to admit new members from the two countries and prepare CPMM activities once corridors are extended into the two countries.

- **Better utilization of CPMM\(^3\) and TRS results.** Thousands of data samples have been collected by CFCFA members to date, and preparation of CPMM quarterly and

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\(^3\) CPMM has received wide-ranging expressions of interest within and outside of ADB. ADB’s Greater Mekong Subregion program and the Inter-American Development Bank have indicated interest in introducing CPMM for transport corridors in their regions.
annual reports are streamlined. It is now possible to conduct not only corridor analyses but also country level and project analyses to tackle the weakest links and the worst bottlenecks on the corridors based on transport and trade performance indicators collected from CPMM and TRS. An interactive web page has been developed to facilitate better dissemination and utilization of CPMM results.

- **New areas to be addressed.** Additional areas—such as cooperation in areas of sanitary and phytosanitary inspection, movement of people (particularly business people and truck drivers), as well as areas critical for achieving the medium- to long-term transformation of CAREC transport corridors to logistic and economic corridors as noted in the draft CAREC 2020—will need to be addressed promptly and sufficiently by the CAREC trade facilitation program.

- **Sustainability of trade facilitation initiatives and programs.** ADB will seek technical assistance funding to continue to support the work of the CCC and of the integrated trade facilitation program. Specific objectives of new regional technical assistance will be to (i) continue implementing the trade facilitation aspects of the TTFS; (ii) support the conduct of the TTFS mid-term review; (iii) address impediments to trade facilitation, including the need to strengthen NJCs, which play a key role in monitoring implementation of the TTFS and Action Plan; (iv) guide the development of legal and institutional reforms to support implementation of the proposed RIBS project; and (v) integrate Pakistan and Turkmenistan into the CAREC trade facilitation program.