



Regional Trade Facilitation and Customs Cooperation Program Status Report

**Senior Officials Meeting
on Central Asia Regional Economic Cooperation
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I. INTRODUCTION

1. The regional trade facilitation program initially comprised seven Asian Development Bank (ADB) developing member countries, namely, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China (PRC), Tajikistan, and Uzbekistan.¹ Afghanistan later joined Central Asia Regional Economic Cooperation (CAREC) in 2005.² The program is coordinated by the Customs Cooperation Committee (CCC) which consists of the heads of customs administrations of the participating countries.³

2. Following the approval of the joint Transport and Trade Facilitation Strategy at the 6th Ministerial Meeting in Dushanbe in November 2007, the mandate of the trade facilitation and customs cooperation program (the Program) was expanded from concerted customs reform and modernization, to include integrated trade facilitation approach through interagency cooperation; and efficient regional trade logistics development through public-private partnerships.

3. The CCC will continue to meet. However, mandates of a broader Trade Facilitation and Customs Cooperation Committee (TFCCC) will be initiated which will include representatives of transport and trade facilitation coordination bodies from CAREC participating countries. Corridor monitoring will be initiated along two corridors to pilot test the methodology. The pilot corridors will be selected on the basis of proposals from the CAREC countries.

4. Stakeholder consultations were launched in January–February 2008⁴ and a joint seminar of the CAREC Transport Sector Coordination Committee (TSCC) and TFCCC was held in Tashkent in January 2008.

5. The Program will continue to work in existing priority areas of customs reform, particularly in harmonization of custom procedures and documentation, automation and data exchange, joint customs control, risk management, post-entry audit, and customs intelligence, and regional transit development. The Program will introduce an integrated trade facilitation approach, focusing on the establishment of national transport and trade facilitation committees, support priority trade facilitation investments for the designated CAREC transport and economic corridors, and one-stop or single electronic window services. The regional trade logistics development part of the Program will support national and regional level trade logistics assessments and establishment of a regional forum, as well as project finance through public-private partnerships.

6. To meet trade facilitation objectives, CCC emphasized the need to identify performance targets or indicators with clear time horizons (short-, medium-, and long-term) that reflect an integrated trade facilitation approach, as well as mechanisms for monitoring performance. Existing performance monitoring methodologies of other multilateral institutions would also help identify bottlenecks along the economic corridors.

7. This report provides an update of major initiatives since November 2007 and highlights planned activities under priority areas of TFCCC.

¹ Turkmenistan has been attending the CCC meeting and other activities on regular basis

² Joint Ministerial Statement, Fourth Ministerial Conference on CAREC, Bishkek, Kyrgyz Republic, November 2005.

³ The CCC endorsed a Common Action Plan in its First Meeting in Urumqi, PRC in August 2002.

⁴ ADB Mission visited the PRC, Uzbekistan, Kyrgyz Republic and Kazakhstan.

II. PROGRESS AND PROPOSED ACTIVITIES

A. Concerted Customs Reform and Modernization

8. The TFCCC made good progress in a number of priority areas during the 2006–2007 period. Highlights of the activities and major initiatives under each priority area are as follows:

1. Harmonization of Custom Procedures and Documentation

9. Kyrgyz Customs considers a focus on automation to be of great use because of the accompanying reengineering of procedures to meet international standards, unification of customs procedures, data transfer and information exchange. Kyrgyz Customs has engaged a contractor to provide consultancy services on systems development. ADB loan funds will be devoted to the identified priorities, i.e. electronic declaration, modern database, internal and external information exchange, as well as components for the next phase and procedural issues in 2008.

10. Azerbaijan Customs has improved its regulatory framework by enacting a new Customs Code that complies with World Customs Organization (WCO) and other international conventions. It has also implemented the changes in border crossing procedures that were recommended by another multilateral institution. Tajikistan Customs is modernizing its customs in line with international standards and has organized a Bureau of Modernization to implement this.

2. Automation and Data Exchange

11. Uzbekistan Customs and Kyrgyz Customs are preparing an agreement on Single Information Space (UAIS), as well as a protocol on data exchange. Uzbekistan Customs is currently developing the data specifications and resolving technical and legal issues and is awaiting ADB assistance for hardware procurement. Azerbaijan Customs has installed a simplified automated system of notification where all required information on customs operations is electronic.

12. The customs authorities of the PRC and Kazakhstan commenced their data sharing operation with an agreement to access PRC custom's e-Port system. The two parties are also testing mutual recognition of manifests, in which there is an exchange of information on goods and vehicles between customs officials on both sides who fill up the same two copies of the manifest. Stamps and seal samples are also exchanged.

3. Joint Customs Control

13. The customs authorities of Mongolia and the PRC had two rounds of bilateral discussions on joint customs control and a pilot will start at selected border crossings. In view of positive results of the pilot joint customs control projects along the Kazakhstan and PRC border crossings, both countries are moving forward for more joint customs controls at additional border crossings.

4. Regional Transit Development

14. Kazakhstan Customs introduced a "safe packet" system following a Government decision in August 2007. It is based on similar systems in use in Russia and Belarus. The system has

been pilot tested at the Kazakhstan and PRC border starting from October 2007, at Kazakhstan and Kyrgyz border in October 2007, and in January 2008 at the Uzbekistan border. The intended benefits of the system are elimination of unauthorized access to customs import⁵ and transit documents; reduction in interference with cargoes in transit; increased revenue collection; and reduced corruption. The pilots showed that safe packets combined with electronic tags and handheld electronic tools at control points have successfully secured documents and reduce delays. Kazakhstan Customs suggests that the safe packet be introduced to neighboring countries as well. Kazakhstan Customs is willing to share its approaches and experiences. The first such trial will be in Kyrgyz Republic with a targeted pilot by end of March 2008. ADB is providing technical assistance both on the implementation of the safe packet program as well as performance monitoring.

15. Azerbaijan is implementing a transparent transit system where documents are assessed quickly, and a physical examination is undertaken. It has four mobile devices for non-intrusive cargo examination.

B. Integrated Trade Facilitation Approach

1. Establishment of National Transport and Trade Facilitation Committees

16. A joint seminar of CAREC TSCC and TFCCC was held in Tashkent in January 2008. The Workshop is the first such event where transport, trade, and customs officials came together to discuss a joint transport and trade facilitation program, which is built around the CAREC transport and trade corridors. At the seminar, a UNESCAP participant shared experiences regarding the establishment of national transport and trade facilitation committees, and indicated that depending on the situation, countries can adopt two different structures in forming such committees, either fully integrating the trade and transport functions, or keeping trade and transport separate but with an effective coordination mechanism.

17. Among CAREC countries, Mongolia and Kyrgyz Republic have been recognized as having established national transport and trade facilitation committees. At the workshop, Azerbaijan, the PRC, and Kazakhstan also said they have similar mechanisms. Azerbaijan's committee is headed by the deputy head of the customs. The PRC's committee was established per requirement of the Cross Border Transport Agreement of the Greater Mekong Sub-regional Cooperation program, headed by the Ministry of Communications. Kazakhstan's committee is led by the Ministry of Transport and Communications.

2. Supporting Priority Trade Facilitation Investments for the Designated CAREC Transport and Economic Corridors

18. Consultants being engaged by the CAREC TSCC organized field trips to each CAREC countries to identify investment proposals both for transport and trade facilitation projects.

3. One-Stop and Single Electronic Window Services

19. The pragmatic approach to Single Window by the Association of Southeast Asia Nations (ASEAN) may be appropriate for CAREC. ASEAN's starting point is an e-document platform led

⁵ Only those importations that are released from Customs control at the border, with suspension of duty payment, for subsequent warehousing or clearance inland.

by a leading public sector agency⁶ and with possibly private sector partnership. ASEAN members each will set up a National Single Window first.⁷ All 10 members' National Single Windows are to operate in an integrated manner by 2012. The ASEAN approach is based on international standards in business, data analysis and processing,⁸ supported by ICT applications. Platforms may be managed by the private sector. National Single Windows in operation are Malaysia, Singapore; there are pilots in Indonesia, Thailand, Philippines, and a pilot ASEAN Single Window was initiated when Thailand and the Philippines exchanged certain forms of export declarations.

20. Azerbaijan is implementing a single-stop or unified method of control where Customs coordinates the entry point. Kyrgyz Republic began the groundwork for a Single Window in 2006 with the issuance of a Presidential Decree that introduced in-depth integrated control. Although the agencies involved still prefer to retain their respective functions and physical control, a virtual database is needed that will show the advantages of electronic unified documents and produce qualitative improvements in the Single Window. Kazakhstan Government has been coordinating Customs, phytosanitary, quarantine, radiology, and other agencies for a Single Window.

C. Regional Trade Logistics Development

1. National and Regional Level Trade Logistics Assessments and Establishment of a Regional Forum

21. Trade logistics studies have been conducted for Xinjiang Uygur Autonomous Region (XUAR) of the PRC, Mongolia, and Inner Mongolia Autonomous Region (IMAR) of the PRC. Currently, ADB consultants are finalizing trade logistics studies for Tajikistan and Kyrgyz Republic. Studies are in progress in Kazakhstan and Uzbekistan. Meanwhile, a technical assistance for pre-feasibility analysis of trade logistics development and investment is being implemented for XUAR.

22. A high-level seminar will be held in April 2008 before the Baku Senior Official Meeting (SOM) to provide a snap shot of the existing development of the trade logistics industry in the region and identify common policy issues. A large scale CAREC conference on trade logistics development will be held in Urumqi, XUAR in June 2008. It will present country studies and organize break out sessions to discuss various policy, operational and investment issues, including public-private partnerships and cross border cooperation for trade logistics development in the region.

2. Project Finance through Public-Private Partnerships

23. Private sector participation and investment in physical infrastructure was the key theme at an ADB Institute sponsored CAREC seminar in Tokyo during 5–7 March 2008. The seminar indicated that effective reforms are needed for establishment of enabling policy environment and legal and governance frameworks for public-private partnerships (PPPs) in transport (including the transport and trade facilitation), and energy sector related infrastructure. Trade logistics is a promising area for PPPs where government can play significant roles in basic

⁶ Usually being the Ministry of Trade or Customs.

⁷ a clearance system that enables a single submission of information, single and simultaneous processing of data, and single point of decision-making through close agency collaboration

⁸ United Nations electronic Documents (UNeDocs) is an initiative carried out by United Nations Centre for Trade facilitation and Electronic Business (UNCEFACT) in close collaboration with UNECE.

infrastructure such as road, water and electricity connections, as well as customs modernizations, and private sector can invest in shipping, warehousing, and logistics operations.

D. Performance Measurement

24. The trade facilitation work in support of CAREC corridors will be centered on performance monitoring. Trade facilitation results will be measured using a comprehensive approach, which combines existing methodologies such as those for trade logistics industries, the UNESCAP Time/Cost-Distance methodology which collects data on cost and time associated with the transit transport process, the WCO Time-Release study which measures the average time taken between the arrival of goods and their removal from Customs, and the WB Transport Corridor Performance Indicators which quantify the impediments to international trade and transport in trade corridors.⁹

25. At the joint seminar of CAREC TSCC and TFCCC in Tashkent in January 2008, representatives from the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP), World Bank and the WCO presented their approaches in performance monitoring. UNESCAP's time/cost-distance methodology serves as the starting point for the World Bank's more detailed survey analyses. WCO's time release methodology focuses on customs functions and transit. It is most likely that along the CAREC corridor, performance data will be collected and compared with established benchmarks at regular intervals using UNESCAP's methodology. WCO's methodology will be selectively utilized at key border crossings to identify key bottlenecks. World Bank's methodology can be used when a CAREC member country requires more detailed analysis on root-causes of transport and trade issues.

III. THE WORK PLAN

A. Key Activities Envisaged

26. Key activities this year for TFCCC will build on past successes in concerted customs reform and modernization, and will try to achieve concrete progress in areas of data exchange, joint processing, and regional transit development, including bilateral initiatives. Further, TFCCC will organize activities for integrated trade facilitation, such as establishment of national trade and transport facilitation committees, and introduction of the pragmatic single window approach similar to that adopted in ASEAN, which can serve as a platform for integrated trade facilitation. After completion of a series of national trade logistics studies and recognition of common policy actions, TFCCC will identify a list of potential investment projects, including those through public-private partnerships, for trade logistics development.

27. Investment projects, technical assistance and policy reform actions promoted by TFCCC will be guided by the joint trade and trade facilitation strategy. To achieve effective management for development results, TFCCC will establish a system for performance monitoring along CAREC corridors.

⁹ Another method from the World Bank, the Trade and Transport Facilitation Audit provides a systematic framework for the review of the trade and transport situation and analyzes the difficulties, develops a comprehensive set of remedial actions for trade and transport facilitation and enables an understanding of supply chain management constraints.

28. TFCCC will seek for technical support from WCO, UNESCAP, UNECE, WB, etc., in sharing experiences in areas related to performance monitoring, technical standards for single window, as well as establishment of Trade and Transport Facilitation Committees. TFCCC will also cooperate with Singapore IE and China Customs in joint funding and organizing training courses and develop knowledge products related to TFCCC's main areas of interests.

B. Resources to Support Transport and Trade Facilitation Strategy Implementation

29. To support the joint Transport and Trade Facilitation Strategy, a regional TA for Integrated Trade Facilitation Support for \$3 million was approved by ADB in November 2007. The expected outputs of the RETA include:

- (i) strengthened customs cooperation as the core program of the trade facilitation strategy;
- (ii) expanded scope of the work program to address broader issues of trade facilitation;
- (iii) support for logistics assessments and planning focusing on priority corridors and developing national and regional implementation strategies to facilitate trade;
- (iv) focusing of trade facilitation efforts on the CAREC transport corridors;
- (v) adoption of a results-based approach in monitoring time and cost savings as the key indicators of the program;
- (vi) support for bilateral initiatives among CAREC countries with sharing of experience;
- (vii) enhanced partnership between CAREC's participating multilateral institutions (MIs), and key international agencies supporting customs reform, trade facilitation, and logistics development in the region;
- (viii) dialogue and cooperation with the private sector which would help formulate and utilize trade facilitation measures;
- (ix) capacity building activities in areas of integrated trade facilitation as well as in broader areas related to trade and transport facilitation;¹⁰
- (x) knowledge products such as policy and strategic papers, publications of analytical papers and their presentation at conferences, on issues of customs cooperation, integrated trade facilitation, and trade logistics.

30. The RETA will be implemented for 3 years starting in January 2008 and completing in December 2010.

¹⁰ ADB is running a set of streamlined training programs through the CAREC Institute. The Institute can also play an instrumental role in disseminating information on the monitoring of transport corridors through the portal, forums, and publications. Part of the Institute's role is to support think tanks in the region which could play a role in analyzing the issues and problems accompanying improvements in the passage of vehicles on the monitored transport corridors.