



Regional Trade Facilitation and Customs Cooperation Program Status Report

**Senior Officials' Meeting
On Central Asia Regional Economic Cooperation
26-27 March 2007
Manila, Philippines**

The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

CONTENTS

- I. INTRODUCTION
- II. PROGRESS AND PROPOSED ACTIVITIES
 - A. Customs Automation
 - B. Risk Management and Post-Entry Audit
 - C. Joint Customs Control and One-Stop Services
 - D. Regional Transit Development
 - E. Bilateral Initiatives for Harmonization of Customs Procedures and Documentation
 - F. Bilateral Initiatives for Data Exchanges
 - G. Other Areas
- ATTACHMENT 1. Program Framework
- ATTACHMENT 2. Statement of the CCC at its Fifth Meeting, October 2006, Astana, Kazakhstan

I. INTRODUCTION

1. The Trade Facilitation Program (the Program) aims to promote concerted customs reforms and modernization, and serves as a regional forum for addressing issues of common interest such as regional transit development. The Program's longer-term objective is to support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector. The Program is guided by the Customs Cooperation Committee (CCC), consisting of the heads of customs administrations of the participating countries. Please refer to Attachment 1 for the Program framework, including objectives, priority areas, performance indicators, and results framework.
2. This report provides an update of major initiatives since October 2006 and highlights planned activities under each priority area.

II. PROGRESS AND PROPOSED ACTIVITIES

A. Customs Automation

3. The Kyrgyz Republic and Tajikistan are in the process of drafting customs automation masterplans. The masterplans include details on the (i) development of software applications of the united automated information system (UAIS), (ii) development of communication infrastructure, and (iii) training and change management.
4. The needs assessment for customs modernization in Mongolia has been completed. In December 2006, ADB approved the investment project aimed at modernizing Mongolia's customs administration. The project, to be implemented during March 2007 to February 2010 will support (i) the upgrading of customs automated data processing system, (ii) the improvement of infrastructure at major customs houses and border posts, and (iii) institutional strengthening, including business process reengineering and training related to the above two components, interagency cooperation, and public-private partnerships.
5. To further support capacity building, the People's Republic of China (PRC) has proposed a regional seminar on customs automation in Beijing in late-May 2007. PRC has also proposed two more training programs in Shanghai during the second half of 2007.

B. Risk Management and Post-Entry Audit

6. The Program continues to support the participating countries' efforts to implement and enhance their risk management systems. Following the request from the CCC, ADB in cooperation with the Royal Thai Customs, organized a Seminar on Implementation Challenges in Joint Customs Control, Risk Management and Post Entry Audit in February 2007 in Bangkok.
7. The seminar covered key elements of and requirements for effective risk management, including (i) strategic risk management (identify high risk geographical areas in accordance with a Customs Strategic Plan, and allocate the necessary human and financial resources accordingly), and (ii) tactical risk management (involve different organizations and line agencies to form a National Intelligence Center that generates intelligence products such as alert via customs intranet, monthly intelligence report, post seizure analysis report and intelligence report on specific issues).

8. In the area of post-entry audit, the seminar provided detailed and practical guidelines for the (i) establishment of a legal and regulatory framework, (ii) organization of an appropriate post-entry audit division, (iii) engagement of capable customs auditors and provision of training to customs officers to acquire appropriate expertise (e.g., accounting and auditing, international trade and business processes including banking procedures, customs laws and procedures, electronic record-keeping and information technology applications). WCO has developed a Post Clearance Audit Guide, which could serve as a useful reference to customs administrations.

9. A Working Group meeting, chaired by Uzbekistan, was convened during the seminar to discuss ongoing initiatives in risk management and post-entry audit. CAREC member countries are at different stages of developing their risk management and post-entry audit systems. While more advanced countries, such as PRC and Kazakhstan, are in the process of enhancing their risk managements systems, others such as Kyrgyz Republic and Tajikistan, are introducing integrated risk management techniques with the development of UAIS.

C. Joint Customs Control and One-Stop Services

10. The Program remains supportive of the participating countries' efforts to implement joint customs control and to provide one-stop and single electronic window services for business community in the long term. The Bangkok Seminar in February 2007 discussed implementation challenges in joint customs control (JCC) involving (i) operations (how adjoining customs authorities operate specific functions such as joint inspection, documents check, valuation, origin determination, operating hours, etc.), (ii) institutional mechanism (formulation of a national and joint oversight arrangement to guide the implementation of JCC), and (iii) compatibility of information technology. To address these challenges, the seminar highlighted the need for, among others (i) cooperation between border authorities, not necessarily through joint operations but through recognition and awareness of their respective operations, (ii) a lead coordinating agency at the national level, and (iii) detailing the functions of customs officers under JCC in a formal memorandum of agreement.

11. Considerable progress has been made in the bilateral initiatives on JCC under the Program. A meeting between Kazakhstan and PRC will be concluded during the first quarter of 2007 to establish a joint working group responsible for developing a concrete action plan for JCC. Mongolia and PRC have already established a working group and the policy dialogue on JCC between the two countries is well advanced. Kyrgyzstan and Kazakhstan are currently pilot testing JCC at the Aktilek-Karasu border.

D. Regional Transit Development

12. With ADB support, the International Road Transport Union (IRU) conducted a seminar on *Transport Internationaux Routiers* (TIR) Transit System¹ in October 2006 in Mongolia. The seminar provided detailed guidelines on TIR operations, including customs control measures,

¹ The TIR system was developed to facilitate the transport of goods through simplified procedures for transit traffic. Goods are carried in sealed vehicles or containers and accompanied by TIR carnet, a document accepted by customs authorities in countries of departure, transit, and destination. An international guarantee chain secures customs duties and taxes in case of an irregularity during the journey. Countries that adopt the TIR system recognize customs control measures at the country of departure. Consequently, sealed loads are not subject to examination at customs offices, whether these be en route or at destination, except for special cases, thereby leading to (i) fewer delays in goods transit, (ii) protection of customs revenues, (iii) reduction of physical inspection of goods, and (iv) efficient customs control and documentation.

technical regulation on load compartments and containers, and SafeTIR - a risk management tool that facilitates early detection of fraud in the TIR system. The seminar also identified specific roles and responsibilities of various sectors involved in transit operations.

13. While Mongolia has issued only one TIR carnet since 2004, it has benefited from passage of about 160 TIR shipments. Upon accession of the PRC to the TIR Convention, which is a priority of the Program, and completion of the Central North-South Corridor Road financed by ADB that links Russia and the PRC's Tianjin port through Ulaanbaatar, the number of locally issued TIR carnets are expected to increase significantly.

E. Bilateral Initiatives for Harmonization of Customs Procedures and Documentation

14. Simplification and harmonization of customs procedures are being achieved through a host of measures, including the revision of customs codes, introduction of risk management practices, JCC, and business process reengineering in relation to customs automation. As proposed by PRC, the program is supporting (i) harmonization of cargo manifest, and (ii) mutual recognition of customs inspections and seals/stamps. PRC and Kazakhstan, as well as PRC and Mongolia, will pilot-test the initiative under their existing cooperation framework.

F. Bilateral Initiatives for Data Exchanges

15. Data exchanges between customs administrations and between importers and exporters are essential for fast clearance and effective risk management. Participating countries have held preliminary discussions on the establishment of an electronic platform for data exchange, and the drafting of an agreement to provide the legal basis for the initiative. Likewise, the Kyrgyz Republic and Uzbekistan, and Tajikistan and Kazakhstan, have initiated bilateral discussion on pilot-testing the initiative.

16. During the Fifth CCC Meeting, delegates noted the importance of the Data Exchange Project and availability of all the preconditions to commence its pilot implementation in several countries. Taking this into account, the CCC requested ADB assistance to provide a consultant in this area.

G. Other Areas

17. A conference on the PRC and Mongolia trade facilitation and trade logistics development was held in November 2006 in PRC. The conference reviewed trade logistics studies for Mongolia and Inner Mongolia, and explored opportunities to enhance cooperation for trade logistics development.

18. The logistics studies demonstrated recent progress in both countries at local, national and even international level to improve basic infrastructure and improve the policy environment for trade facilitation and trade logistics development. However, there is a need to address major infrastructure bottlenecks and improve cooperation between Mongolia and IMAR. Areas needing further cooperation identified at the conference included development of (i) key road & rail transport links; (ii) special economic zones and logistics infrastructure; (iii) cross-border financial services, payment and settlement system; and (iv) coordination and information exchange in customs administration.

19. Following the conference, a preliminary joint action plan has been developed and will be submitted to the two Governments for review. It proposes coordinated efforts in establishing

conducive legal and policy framework in both countries leading to finalization of transport agreements; improving transport networks and corridors; expansion of dry ports and inland depots; building refrigerated capacity as part of cold chain development and collaboration; promoting inter-modalism; building logistics and transport information systems aimed at process optimization; harmonizing documentation and information systems leading to efficient data exchange and integration; capacity-building and logistics human resources development; and acceleration of the development of special economic zones.

CAREC Trade Facilitation Program Framework

Objectives	Priorities and Performance Indicators	Highlights of Activities
<p><u>Short- to Medium-Term objectives:</u> To promote concerted customs reforms and modernization and to serve as a regional forum to address issues of common interest</p>	<p>1. Customs Automation</p> <ul style="list-style-type: none"> • Automation systems adopted, particularly for Kyrgyz Republic and Tajikistan 	<ul style="list-style-type: none"> • Customs modernization assessments and master plans for customs automation (Azerbaijan, Kyrgyz Republic, Mongolia, and Tajikistan), and related consultation and dissemination workshops • Study visit for Kyrgyz Republic and Tajikistan on customs automation, to Kazakhstan and Singapore, respectively • Training for Kazakhstan and Mongolia officials sponsored by PRC Customs • Kyrgyz Republic and Tajikistan: Regional Customs Modernization and Infrastructure Development Project; Project Management Offices established • Customs Modernization Project for Mongolia approved in 2006 • Seminar on customs automation and e-governance initiatives (Seoul, December 2005 and Singapore, January 2006) • Regional seminar cosponsored by Japan Customs in April 2006
	<p>2. Risk Management, Post-Entry Audit, and Customs Intelligence</p> <ul style="list-style-type: none"> • Risk management practices adopted 	<ul style="list-style-type: none"> • Publication of the "Risk Management Guide" with the WCO • Risk management and post-entry audit seminar (Shenzhen, PRC in June 2005; Bangkok, Thailand in February 2007) • WCO diagnostic missions on Framework of Standards concluded in Kazakhstan, Kyrgyz Republic, Mongolia, PRC, and planned for Azerbaijan, Tajikistan and Uzbekistan • Publication of the "Risk Management: Catalyst of Customs Reforms and Modernization"

Objectives	Priorities and Performance Indicators	Highlights of Activities
	<p>3. Joint Customs Control</p> <ul style="list-style-type: none"> • Pilot-testing implemented and extended in other countries 	<ul style="list-style-type: none"> • Pilot-testing of joint customs control by Kazakhstan and Kyrgyz Republic in (i) Akzhol-Kordai and (ii) Aktilek-Karasuu; bilateral agreement on joint customs control signed between Kazakhstan and Kyrgyz Republic • Efforts to pilot-test joint customs control between Mongolia and PRC, and Kazakhstan and PRC • One-Stop/Single Window Seminar (Bangkok, Thailand in July 2005) • Seminar on Joint Customs Control (Bangkok, Thailand in February 2007).
	<p>4. Regional Transit Development</p> <ul style="list-style-type: none"> • PRC's accession to the TIR Convention • Bilateral transit agreements signed and implemented 	<ul style="list-style-type: none"> • Study visit fielded by PRC Customs to consult with relevant organizations on accession procedures • Establishment of SafeTIR system in Kyrgyz Republic • Forum on regional transit development (Shanghai, October 2005) • Training on TIR system for Kyrgyz Republic and Mongolia customs and transport operators in October 2006 • Bilateral transit agreements signed between Kyrgyz Republic and Tajikistan, and between Kazakhstan and the Kyrgyz Republic • Publication of "TIR Customs Transit System: Experiences and Initiatives of CAREC participating countries"
	<p>5. Harmonization of Customs Procedures and Documentation</p> <ul style="list-style-type: none"> • Cargo manifest harmonized • Accession to the Revised Kyoto Convention 	<ul style="list-style-type: none"> • Harmonization of cargo manifest (bilateral consultation meeting between Kazakhstan and PRC, and Mongolia and PRC) • Accession to the Revised Kyoto Convention by Azerbaijan and Mongolia in 2006 • Tajikistan adopted new Customs Code in 2004; formulation of draft revisions of Customs Code in Afghanistan, Kazakhstan, Kyrgyz Republic, Mongolia; development of New Customs Code of Azerbaijan; and completion of drafting of the new Customs Code of Uzbekistan; in line with modern international standards.

Objectives	Priorities and Performance Indicators	Highlights of Activities
	<p>6. Data Exchange</p> <ul style="list-style-type: none"> • Data elements for cargo manifest and customs declaration harmonized • Technology solutions for data exchange agreed bilaterally 	<ul style="list-style-type: none"> • Training seminar on WCO's Framework of Standards and Customs Data Model cosponsored by PRC Customs and ADB in July 2006 • Bilateral agreement on exchange of customs statistics signed between Kyrgyz Republic and PRC • Efforts to pilot test electronic data exchanges between Kyrgyz Republic and Uzbekistan
	<p>7. Framework for Customs Cooperation</p> <ul style="list-style-type: none"> • Bilateral agreements on mutual administrative assistance and customs cooperation signed and implemented. 	<ul style="list-style-type: none"> • Bilateral agreements signed between Azerbaijan and PRC, between Azerbaijan and Kyrgyz Republic, and between Kyrgyz Republic and Mongolia.
<p><u>Long-term Objective:</u> To support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector</p>	<p>Establishment of a National and Regional Mechanism for Integrated Trade Facilitation Approach</p> <ul style="list-style-type: none"> • National Trade Facilitation Committee established • Integrated Trade Facilitation Strategy developed in support of one-stop and single electronic window services <p>Regional Committee established consisting of National Trade Facilitation Committees</p>	<ul style="list-style-type: none"> • Trade Facilitation Sub-Committee under Public-Private Sector Consultative Committee established in Mongolia in 2005 • Formulation of Mongolia's single electronic window initiated • Study on Trade Logistics Strategy for PRC's Xinjiang Uygur Autonomous Region concluded, with workshop held in April 2006 • Study on Trade Logistics Development for Mongolia and Inner Mongolia Autonomous Region in the PRC completed, with seminar held in November 2006. • Study on an Integrated Trade Facilitation Strategy

**Statement of the Customs Cooperation Committee
at
the Fifth Meeting of the Heads of Customs Administrations
under the Central Asia Regional Economic Cooperation (CAREC) Program
11–13 October 2006, Astana, Kazakhstan**

Introduction

1. The Customs Cooperation Committee (CCC), comprising heads/deputy heads of customs administrations from member countries of the Central Asia Regional Economic Cooperation (CAREC) Program, held its Fifth Meeting in Astana, Kazakhstan on 11-13 October 2006 to deliberate on the progress and chart the strategic direction of the CAREC Trade Facilitation Program (the Program). Mr. Kunio Mikuriya, Deputy Secretary General of the World Customs Organization (WCO), and Mr. Jan Hoffman, Economic Affairs Officer, United Nations Conference on Trade and Development (UNCTAD), participated as resource speakers during the consultation forum.

2. The participants conveyed their gratitude to the Customs Control Committee of the Republic of Kazakhstan for hosting the Meeting and for their gracious hospitality and excellent arrangements. The CCC also appreciated the efforts of the eminent speakers who generously shared their knowledge on integrated border management, logistics development and trade facilitation. The participants thanked the Asian Development Bank (ADB) for providing financial support and serving as the Secretariat.

3. The CCC reconfirmed its commitment to be the frontrunner in promoting regional trade facilitation initiatives through concerted customs reforms and modernization efforts and deepened regional cooperation, interagency coordination and public-private partnership.

4. The CCC recognized ADB's efforts to promote capacity building by partnering with international organizations and customs administrations supporting the Program. The members of the CCC expressed their appreciation to the Government of Singapore, Republic of Korea, Japan Customs, and PRC Customs for hosting regional forums and study tours. The CCC likewise noted the support of WCO, Thailand Customs Department, United Nations Economic Commission for Europe (UNECE), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and International Road Transport Union (IRU) for sharing international best practices and modern customs techniques during the Program's regional and in-country activities. In line with this, the CCC acknowledged the importance of continually exploring opportunities to draw international support for sustaining the momentum of reforms initiated under the Program.

5. The CCC members reaffirmed their intention to implement the WCO Framework of Standards to Secure and Facilitate Global Trade, while recognizing the challenges of this undertaking. They value the assistance of WCO in fielding diagnostic missions to help them implement the Framework of Standards.

Review of Progress

6. The CCC appreciated the extensive knowledge-sharing activities organized since the fourth CCC Meeting including: (i) a forum on TIR Customs transit system in Shanghai in

October 2005; (ii) a seminar in Daejeon and Seoul, Republic of Korea on trade facilitation and e-governance in December 2005; (iii) a forum in Singapore in January 2006 focusing on issues related to customs automation and IT platform for trade and logistics; (iv) an in-country workshop in Ulaanbaatar on trade logistics and customs modernization, in February 2006; (v) an in-country workshop in Urumqi, People's Republic of China (PRC) focusing on Xinjiang's trade logistics development, in April 2006; (vi) a seminar in Tokyo in April 2006 on trade facilitation and customs modernization; (vii) a seminar in Urumqi, PRC in July 2006 on the WCO's framework of standards and customs data model; and (viii) training programs in Shanghai Customs Academy for Kazakhstan customs officials in May 2006 and for Mongolia customs officials in September 2006 sponsored by the PRC Customs General Administration.

7. The CCC welcomed the progress achieved over the past year, including:

- (i) accession to the Revised Kyoto Convention by Mongolia in October 2006;
- (ii) membership of Afghanistan to the WCO;
- (iii) draft revisions of Customs Code in Afghanistan, Kazakhstan, Kyrgyzstan, Mongolia, development of the new Customs Code of the Azerbaijan Republic and completion of drafting of the new Customs Code of the Republic of Uzbekistan, in line with modern international standards;
- (iv) ongoing implementation of the ADB-assisted Regional Customs Modernization and Infrastructure Development Project for the Kyrgyz Republic and Tajikistan;
- (v) preparation of an investment project for the modernization of Mongolia customs administration, expected to be approved by ADB in 2006;
- (vi) bilateral agreement on joint customs control signed between Kazakhstan and Kyrgyz Republic;
- (vii) initiatives to pilot-test joint customs control between Mongolia and PRC;
- (viii) efforts on harmonization of accompanying documents for the goods being transported between Mongolia and PRC;
- (ix) efforts to prepare agreement on information data exchange between Kyrgyz Republic and Uzbekistan;
- (x) PRC's effort to accelerate its accession to the TIR Convention;
- (xi) initiative to enhance SafeTIR system in the Kyrgyz Republic to facilitate transit development; and
- (xii) publication of several papers to disseminate knowledge products, including papers on TIR Customs transit system and risk management highlighting the experiences and initiatives of CAREC participating countries; customs reforms and modernization strategy and experience of Thai Customs; and several articles published in the CAREC Newsletter.

Future Work Plan

8. The CCC broadly endorsed the work plans proposed by the Working Group Chairs including pursuing the ongoing initiatives discussed above. Other major activities are highlighted below.

9. The CCC endorsed the training seminars on TIR Transit System to be conducted by IRU in October 2006 in Ulaanbaatar for Mongolia customs officials and transport operators, and in Geneva for Kyrgyz customs officials.

10. The CCC welcomed ADB's support for customs modernization needs assessment study in Afghanistan and Uzbekistan. In addition, the CCC is pleased to note that ADB is preparing a regional technical assistance project to support the development of an integrated regional trade facilitation strategy for each CAREC member country. This initiative will be useful in pursuing the CCC's long-term goal of promoting an integrated approach to trade facilitation.

11. The CCC requested assistance from ADB to support capacity building seminars including:

- (i) a regional forum on joint border control
- (ii) ICT and data and information exchange¹
- (iii) issues related to trade facilitation, such as best practices on implementation of the Revised Kyoto Convention, and harmonization of customs processes and documentation, including revision of Customs Codes, legal basis for e-declaration and international best practice in this area, and Istanbul Convention
- (iv) protection of intellectual property rights, and
- (v) challenges and experiences in the implementation of risk management and post-entry audit systems.

12. The CCC agreed that after each seminar a Working Group meeting will be held. The meeting will provide a policy forum to develop an action plan to move forward the regional trade facilitation agenda.

13. The CCC acknowledged that trainings conducted by the Customs Academy in Shanghai have been very useful and they requested continued support from ADB and PRC to finance participation of CCC members in these training programs.

14. The CCC members recognized that the CAREC Trade Facilitation Program could serve as a useful forum to share country experiences in implementing the Framework of Standards and they agreed to continually update each other of WCO diagnostic missions' findings and recommendations during the CCC forums.

¹ The CCC requested ADB to support a seminar in the 1st quarter, 2007 in Bishkek with participation of all the parties concerned.

15. CCC members noted the importance of the Data Exchange Project and availability of all the preconditions to commence its pilot implementation in several countries. Taking this into account, the CCC requested ADB assistance to provide the expert on this matter.

16. The CCC urged Kazakhstan and PRC to continue their efforts on harmonization of accompanying documents for the goods being transported.

17. The members of the CCC welcomed the offer of Kyrgyz Republic to host the Sixth CCC Meeting, tentatively on the second week of September 2007.