



# **Trade Facilitation and Customs Cooperation Status Report**

**Senior Officials' Meeting on  
Central Asia Regional Economic Cooperation  
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**Status Report on  
Regional Trade Facilitation and Customs Cooperation Program**

**I. INTRODUCTION**

1. The Trade Facilitation Program (the Program) under the broader Central Asia Regional Economic Cooperation (CAREC) Program aims to achieve the following set of objectives and goals. Its short- to medium-term objectives are to promote concerted customs reforms and modernization and serve as a regional forum to address issues of common interest such as regional transit development. Its long-term objective is to support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector. The latter will facilitate the participating countries' move toward "one-stop" and "single electronic window" services for traders and the business community. The Program's framework, which includes its objectives, priority areas, performance indicators, and results framework are summarized in Attachment 1.

2. The Customs Cooperation Committee (CCC), consisting of the heads of customs administrations of the participating countries, has been coordinating the Program toward meeting its short- to medium-term objectives. The CCC's guidance reflects the country-driven process of the Program. In its first meeting in Urumqi, PRC, the CCC endorsed a Common Action Plan and created two working groups for the plan's implementation. One working group is chaired by PRC and the other by Uzbekistan.

3. In view of the participating countries' varied capacity and commitment to trade facilitation and regional cooperation, the Program has been implemented with a pragmatic and results-oriented approach focusing on (i) promotion of bilateral initiatives, e.g., bilateral agreements and pilot-testing, and (ii) country-specific customs modernization efforts. This approach differs from other subregional cooperation programs where participating countries have more comparable capacity and whose focus has been on forging multilateral trade and transport agreements, followed by pilot-testing. Training and knowledge sharing through regional events have been another priority area, which has helped strengthen capacity, trust, and confidence among the participating countries.

4. Inter-agency cooperation and partnership with the private sector are key features of Program activities. The International Road Transport Union as well as private transport operators have joined the Program to support the transit development initiative. Tax administration officials have also become actively involved in the Program to promote integrated e-governance services. Since trade facilitation requires a broad-based approach, "Think broadly and act pragmatically" has become the Program's guiding principle to ensure its result-orientation and sustainability.

5. This report highlights the progress and major initiatives endorsed by the CCC during their Fourth Meeting on 7–9 September 2005 in Ulaanbaatar, Mongolia, and the CAREC 4<sup>th</sup> Ministerial Conference on 6 November in Bishkek, Kyrgyz Republic.

**II. PROGRESS AND PROPOSED ACTIVITIES**

6. The Program's activities since the 4<sup>th</sup> Ministerial Conference continued to focus on the priority areas endorsed by the CCC's First Meeting. Several regional and in-country capacity building activities were organized to address priority issues, including (i) a seminar in Daejeon and Seoul, Republic of Korea on trade facilitation and e-governance in December 2005, and (ii) a forum in Singapore in January 2006 focusing on issues related to customs automation and IT platform for trade and logistics, and (iii) an in-country workshop in Urumqi on Xinjiang's trade logistics development, on 9 April 2006. Upcoming regional activities

include (i) a seminar in Tokyo, Japan on 17-19 April 2006 on trade facilitation and customs modernization, (ii) a seminar in Urumqi, PRC in July on the World Customs Organization's (WCO's) framework of standards and common data model, and (iii) the 5<sup>th</sup> CCC Meeting in Astana, Kazakhstan in September. Several in-country capacity-building seminars are also scheduled in Mongolia, Kyrgyz Republic, and Tajikistan.

7. In 2006, several bilateral initiatives are being pursued including joint customs control pilot-testing between Kazakhstan and Kyrgyz Republic, harmonization of cargo manifests between Kazakhstan and the PRC, and joint customs control between the PRC and Mongolia. The PRC Customs General Administration has agreed to sponsor two training programs in Shanghai Customs Academy in May and September 2006 for Kazakhstan and Mongolia customs officials, respectively.

8. In-country support for customs modernization assessments was provided to Mongolia to assist it in gap analyses and formulation of a strategy and implementation plan for customs modernization and single electronic window services for the business community. ADB is supporting the Kyrgyz Republic and Tajikistan with the implementation of the regional customs modernization and infrastructure development project. A similar trade facilitation and customs modernization project was recently proposed by the Government of Mongolia and its concept was endorsed by ADB for potential financing. ADB and Government of Republic of Korea will jointly support the development of ICT master plans for Mongolia and Azerbaijan customs. The Government of Korea is likewise supporting the development of the customs ICT master plan for Kazakhstan.

9. Two studies were conducted that support the broadening of the Trade Facilitation Program: (i) the Trade Logistics Strategy for PRC's Xinjiang Uygur Autonomous Region, and (ii) an Integrated Trade Facilitation Strategy based on interagency cooperation and partnership with the business community. A trade logistics development study was launched in Mongolia in February 2006. As part of the continuing efforts to promote an integrated, multi-agency approach to trade facilitation, senior officials from tax administrations and border guard agencies were invited to attend the regional forums in Singapore and Korea.

10. In its effort to widely disseminate knowledge products, the Program has recently produced several publications including (i) TIR Customs Transit System: Experiences and Initiatives of CAREC Participating Countries, (ii) Customs Reforms and Modernization: Strategy and Experience of Thai Customs, (iii) various customs assessment reports and (iv) several articles in the CAREC Newsletter. The Trade Facilitation Program website<sup>1</sup> is regularly updated as depository of all reports and publications produced under the Program, and continuously serves as a gateway for accessing the websites of the participating countries' customs administrations.

11. The World Bank is currently in dialogue with the Government of Kazakhstan to formulate a customs reforms and modernization project. The European Bank for Reconstruction and Development is providing advisory services on trade finance to banks in Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. It has also been providing guarantees for trade finance instruments and short-term advances to banks to facilitate foreign trade.

12. The United Nations Development Programme has launched the second phase of its Silk Road Regional Programme, with five participating countries: the PRC, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. The trade component of the Programme for 2005–2007 aims to (i) improve the policy and legal environment for trade and transit in the Silk Road area, and (ii) promote fruitful dialogue between the public and private sectors and

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<sup>1</sup> <http://www.adb.org/Projects/TradeFacilitation>

increase the level of private sector participation in trade and transit promotion and facilitation.

13. Highlights of the activities and major initiatives under each priority area are as follows.

#### **A. Customs Automation**

14. The master plans for customs automation being developed respectively by the Kyrgyz Republic and Tajikistan will present detailed discussions on technology issues related to the UAIS under the Regional Customs Modernization and Infrastructure Project. Workshops will be organized by Kyrgyz and Tajikistan Customs in July 2006 to seek suggestions and comments on the master plans from the participating countries. A study tour will be organized for Kyrgyz and Tajikistan Customs senior officials by the consulting firms implementing ADB's technical assistance.

15. The needs assessment for customs modernization in Mongolia has been completed and it is expected that an investment project to modernize customs administration will be provided in 2006. A similar needs assessment will be undertaken in Azerbaijan, jointly supported by ADB and the Government of the Republic of Korea. A similar exercise in Uzbekistan will be launched by ADB in 2007. In Kazakhstan, the development of E-Customs Masterplan is supported by the Government of Korea.

16. The regional forum held in Seoul on 5-8 December 2005 aimed to (i) share Republic of Korea's e-governance solutions and best practices, and (ii) promote cooperation between customs and tax administration agencies through ICT. To promote cooperation and interoperability between the systems of revenue administrations, senior officials from customs and tax administrations were invited to attend the forum.

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

17. The Program continues to support the participating countries' efforts to implement and enhance their risk management systems. The following elements are stressed as essential pillars for risk management:

- (i) change in corporate culture of customs administrations from "control-orientation" to "compliance facilitation" or "informed-compliance" where customs tries its best to serve the business community for economic development;
- (ii) introduction of a structured approach to data review, taking into account the evolving and country-specific nature of risks; and
- (iii) importance of data exchanges among neighboring countries, thus the bilateral Agreement on Mutual Administrative Assistance and Cooperation providing the legal basis for such exchanges.

18. For countries at the early stage of introducing risk management systems, the emphasis was on identifying a "baseline of compliance" in relation to traders and companies to be inspected. This enables customs to determine a level of non-compliance which is the target of a risk management system. Incentives should be provided to traders with good compliance records such as fast-track clearance. Japan's application of risk management in customs reform and modernization will be discussed in greater detail during the Regional Forum in Tokyo in April. WCO will conduct a diagnostic study in Mongolia in relation to the New Framework of Standards.

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

19. The Program remains supportive of the participating countries' efforts to provide one-stop and single electronic window services for the business community in the long term, including the joint customs control initiative by Kazakhstan and the Kyrgyz Republic. The "time release study" by Kazakhstan Customs on the joint control at the Akzhol-Kordai shows significant reduction in clearance time.<sup>2</sup> Encouraged by the positive outcome, Kyrgyz and Kazakhstan Customs will soon initiate joint control at the Aktilek-Karasuu crossing point, and Mongolia Customs is considering a proposal to pilot-test with PRC Customs at a crossing point to be agreed by the two countries' customs administrations. Mongolia Customs is currently preparing a strategic framework for single electronic window practices.

### **D. Regional Transit Development**

20. Promotion of bilateral transit arrangements and PRC's accession to the TIR Convention are two priorities of the Program. It is hoped that the experience with the implementation of transit agreements that have been signed between the Kyrgyz Republic and Tajikistan, and the Kyrgyz Republic and Kazakhstan, will provide inputs for developing a regional transit agreement in the future. The regional forum on TIR accession and regional transit arrangements in Shanghai last October, co-sponsored by PRC as part of its accession effort, brought together representatives from customs, private freight forwarders and transport associations, and representatives from the IRU, UNECE, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the WCO. ADB has also published a paper on TIR Customs Transit System highlighting the experiences and initiatives of CAREC participating countries.

21. The establishment of SafeTIR System for Kyrgyz Republic will be jointly supported by ADB and IRU. Training Seminar on TIR will be conducted by IRU with support from ADB for Kazakhstan, Mongolia and Kyrgyz Republic customs officials and transport operators.

### **E. Bilateral Initiatives for Harmonization of Customs Procedures**

22. Simplification and harmonization of customs procedures are being achieved through a host of efforts, including the revision of customs codes, introduction of risk management practices, joint customs control, and business process reengineering in relation to customs automation. Concrete proposals in relation to harmonization of customs procedures have been presented by PRC Customs. These are (i) harmonization of cargo manifest, and (ii) mutual recognition of customs inspections and seals/stamps. Efforts to harmonize data requirements for cargo manifests will facilitate data exchanges between exporters and importers for the preparation of customs declaration and thus reduce customs clearance time and improve the quality of trade statistics. Mutual recognition of customs inspection and customs seals and stamps provide an essential pillar for regional transit arrangement. Several countries responded positively to the proposals. PRC and Kazakhstan Customs will pilot-test the initiative under the two countries' existing cooperation framework and have requested ADB support to facilitate bilateral consultation and working group meetings. The second consultation meeting between the PRC and Kazakhstan is planned for July 2006 in Urumqi.

23. The Program has supported revision and dissemination of Customs Codes in the Kyrgyz Republic, Mongolia, Tajikistan. Similar support will be provided for other CAREC's

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<sup>2</sup> See presentation by Deputy Chairman Baurzhan Abdishev at the seminar in Bangkok on 27–29 July 2005 from <http://www.adb.org/Documents/Events/2005/Trade-Facilitation-One-Stop-Service/presentation-joint-customs-kaz.pdf>

participating countries for revision of their Customs Code in line with the Revised Kyoto Convention and New Framework of Standards.

#### **F. Bilateral Initiatives for Data Exchanges**

24. Data exchanges between customs administrations and between importers and exporters are essential for fast clearance and effective risk management. The Uzbekistan Customs had proposed to establish an electronic platform for data exchange among the participating countries, and the drafting of an agreement to provide the legal basis for the initiative. While the technical proposal was broadly endorsed by the participating countries, suggestions were made to clearly define the trade facilitation objective of the proposal and the scope of data-exchange requirements for facilitating trade clearance. Kyrgyz and Uzbekistan Customs proposed to pilot-test the initiative. A seminar on WCO's Framework of Standards and Common Data Model will be held in 2006 in the PRC to support the initiative.

### **III. CONCLUSION**

25. In line with its practical approach to trade facilitation, the Trade Facilitation Program has adopted short- to medium-term goals coordinated by the CCC as well as long-term goals to be coordinated by a committee consisting of national focal points for trade facilitation to be established in the future.

26. Effective donor coordination is critical in extending concerted support and ensuring its sustainability. The coordination group established among the major multilateral institutions (MIs) at the Second Ministerial Conference in Tashkent is a vehicle to strengthen donor coordination in support of the CAREC Program and its trade facilitation initiatives. ADB as the Secretariat will work closely with the MIs to support the Trade Facilitation Program.

### 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"> <li>• Automation systems adopted, particularly for Kyrgyz Republic and Tajikistan</li> </ul>	<ul style="list-style-type: none"> <li>• Customs modernization assessments and master plans for customs automation (Azerbaijan, Kyrgyz Republic, Mongolia, and Tajikistan) and related consultation and dissemination workshops</li> <li>• Study tour for Kyrgyz Republic and Tajikistan on customs automation; training for Kazakhstan and Mongolia officials sponsored by PRC Customs</li> <li>• Customs automation and e-governance initiatives (Seoul Seminar, December 2005 and Singapore, January 2006)</li> <li>• Kyrgyz Republic and Tajikistan: Regional Customs Modernization and Infrastructure Development Project; Project Management Offices established</li> <li>• Regional seminar cosponsored by Japan Customs in April 2006.</li> </ul>
	<p>2. Risk Management, Post-Entry Audit, and Customs Intelligence</p> <ul style="list-style-type: none"> <li>• Risk management practices adopted</li> </ul>	<ul style="list-style-type: none"> <li>• Publication of "Risk Management Guide" with the WCO</li> <li>• Risk management and post-entry audit seminar (Shenzhen, PRC in June 2005)</li> <li>• WCO diagnostic study in Mongolia on New Framework of Standards.</li> </ul>
	<p>3. Joint Customs Control</p> <ul style="list-style-type: none"> <li>• Pilot-testing implemented and extended in other countries</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot-testing of joint customs control by Kazakhstan and Kyrgyz Republic and potential expansion in another border crossing point</li> <li>• Efforts to pilot-test joint customs control between Mongolia and PRC</li> <li>• One-Stop/Single Window Seminar (Bangkok, Thailand in July 2005)</li> </ul>

Objectives	Priorities and Performance Indicators	Highlights of Activities
	<p>4. Regional Transit Development</p> <ul style="list-style-type: none"> <li>• PRC's accession to the TIR Convention</li> <li>• Bilateral transit agreements implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Study tour fielded by PRC Customs to consult with relevant organizations on accession procedures</li> <li>• Forum on regional transit development (Shanghai Forum, October 2005)</li> <li>• Bilateral transit agreements signed between Kyrgyz Republic and Tajikistan, and between Kazakhstan and the Kyrgyz Republic</li> <li>• Publication of TIR Customs Transit System: Experiences and Initiatives of CAREC participating countries</li> </ul>
	<p>5. Harmonization of Customs Procedures</p> <ul style="list-style-type: none"> <li>• Cargo manifest harmonized</li> <li>• Accession to Revised Kyoto Convention</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonization of cargo manifest (bilateral consultation meeting between Kazakhstan and PRC)</li> </ul>
	<p>6. Data Exchange</p> <ul style="list-style-type: none"> <li>• Data elements for cargo manifest and customs declaration harmonized</li> <li>• Technology solutions for data exchange agreed bilaterally</li> </ul>	<ul style="list-style-type: none"> <li>• Training seminar on WCO's Framework of Standards and Common Data Model to be cosponsored by PRC Customs, ADB and WCO</li> <li>• Bilateral agreement on exchange of customs statistics signed between Kyrgyz Republic and PRC</li> </ul>
	<p>7. Framework for Customs Cooperation</p> <ul style="list-style-type: none"> <li>• Bilateral agreements on mutual administrative assistance and customs cooperation signed</li> </ul>	<ul style="list-style-type: none"> <li>• Bilateral agreements signed between Azerbaijan and PRC, between Azerbaijan and Kyrgyz Republic, and between Kyrgyz Republic and Mongolia</li> </ul>
<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"> <li>• National Trade Facilitation Committee established</li> <li>• Integrated Trade Facilitation Strategy developed in support of one-stop and single electronic window services</li> <li>• Regional Committee established consisting of National Trade Facilitation Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Formulation of Mongolia's single electronic window initiated</li> <li>• Study on Trade Logistics Strategy for PRC's Xinjiang Uygur Autonomous Region concluded, with workshop held on April 2006</li> <li>• Study on an Integrated Trade Facilitation Strategy initiated</li> <li>• Study on Trade Logistics Development for Mongolia launched</li> </ul>