



Regional Trade Facilitation and Customs Cooperation Program: Status Report

**Senior Officials' Meeting
On Central Asia Regional Economic Cooperation
28-29 August 2006
Urumqi, XUAR, People's Republic of China**

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I. INTRODUCTION

1. Trade facilitation is a key thrust of the Central Asia Regional Economic Cooperation (CAREC) Program. CAREC's Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) was launched in 2002. 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. Please refer to Attachment 1 for the Program framework, which includes its objectives, priority areas, performance indicators, and results framework.

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. The Program has been implemented with a pragmatic and result-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.

II. PROGRESS AND PROPOSED ACTIVITIES

5. The Program's activities since the last Ministerial Conference continued to focus on the areas endorsed by the CCC during its first meeting. Several regional and in-country capacity building activities were organized to address priority issues, including (i) a seminar in Daejeon and Seoul on trade facilitation and e-governance (December 2005), (ii) a regional forum in Singapore on customs automation and IT platform for trade and logistics (January 2006), (iii) an in-country workshop in Ulaanbaatar on trade logistics and customs modernization (February 2006), (iv) an in-country workshop in Urumqi on Xinjiang's trade logistics development (April 2006), (v) a seminar in Tokyo on trade facilitation and customs modernization (April 2006), and (vi) a seminar in Urumqi on the World Customs Organization's (WCO's) framework of standards and customs data model (July 2006). The 5th CCC Meeting is scheduled on 11-13 October 2006 in Astana. Several in-country capacity-building seminars are also planned in Mongolia, Kyrgyz Republic, and Tajikistan. The PRC Customs General Administration has agreed to sponsor two training programs in Shanghai Customs Academy for Kazakhstan and Mongolia customs officials.

6. 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. A similar study was launched in August 2006 for the Inner Mongolia Autonomous Region of the PRC. 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.

7. To widely disseminate knowledge products, the Program has produced several publications and contributed several articles in the CAREC Newsletter. The Trade Facilitation Program website¹ is regularly updated as depository of all reports and publications prepared under the Program, and continuously serves as a gateway for accessing the websites of the participating countries' customs administrations.

8. The World Bank is currently preparing a customs reforms and modernization project for Kazakhstan. The European Bank for Reconstruction and Development is providing advisory services on trade finance to small 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.

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

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

A. Customs Automation

11. 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 2006 to seek suggestions and comments on the master plans from the participating countries.

12. 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.

13. The December 2005 Seoul Forum 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.

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

B. Risk Management and Post-Entry Audit

14. 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.

15. 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.

16. Japan's application of risk management in customs reform and modernization was discussed in greater detail during the April 2006 Tokyo Forum. During the July Urumqi Seminar, the PRC shared key recommendations of the WCO diagnostic mission including the need to introduce a more comprehensive risk management system which also addresses security issues, instead of merely focusing on fraud and smuggling activities. The Program produced a publication entitled "Risk Management: Catalyst of Customs Reforms and Modernization" highlighting experiences and initiatives of CAREC participating countries.

C. Joint Customs Control and One-Stop Services

17. 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.² Encouraged by the positive outcome, Kyrgyz and Kazakhstan Customs will soon initiate joint control at the Aktilek-Karasuu crossing point, and Mongolia Customs is discussing with PRC Customs for a pilot-test at a crossing point to be agreed by the two countries' customs administrations. A meeting for this purpose was held in April 2006 in the PRC. Mongolia Customs is currently preparing a strategic framework for single electronic window practices.

D. Regional Transit Development

18. 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

² 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>.

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, United Nations Economic Commission for Europe, 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.

19. The establishment of Safe TIR 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

20. 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.

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

22. Data exchanges between customs administrations and between importers and exporters are essential for fast clearance and effective risk management. 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 member 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.

23. The July Urumqi Seminar included a detailed presentation of the WCO Customs Data Model and Unique Consignment Reference (UCR). The Customs Data Model aims to standardize, harmonize and reduce customs data requirement by defining a maximum set of data for the accomplishment of export and import formalities. The UCR is a numbering system to be used by the different parties involved in the entire supply chain. CAREC members were encouraged to take into account WCO tools in developing systems for data exchanges.

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 tour for Kyrgyz Republic and Tajikistan on customs automation; training for Kazakhstan and Mongolia officials sponsored by PRC Customs • Customs automation and e-governance initiatives (Seoul Seminar, December 2005 and Singapore, January 2006) • Kyrgyz Republic and Tajikistan: Regional Customs Modernization and Infrastructure Development Project; Project Management Offices established • 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 "Risk Management Guide" with the WCO • Risk management and post-entry audit seminar (Shenzhen, PRC in June 2005) • WCO diagnostic study in Mongolia and the PRC on New Framework of Standards. • Publication of "Risk Management: Catalyst of Customs Reforms and Modernization."
	<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 and potential expansion in another border crossing point • Efforts to pilot-test joint customs control between Mongolia and PRC • One-Stop/Single Window Seminar (Bangkok, Thailand in July 2005)

Objectives	Priorities and Performance Indicators	Highlights of Activities
	<p>4. Regional Transit Development</p> <ul style="list-style-type: none"> • PRC's accession to the TIR Convention • Bilateral transit agreements implemented 	<ul style="list-style-type: none"> • Study tour fielded by PRC Customs to consult with relevant organizations on accession procedures • Forum on regional transit development (Shanghai Forum, October 2005) • 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</p> <ul style="list-style-type: none"> • Cargo manifest harmonized • Accession to Revised Kyoto Convention 	<ul style="list-style-type: none"> • Harmonization of cargo manifest (bilateral consultation meeting between Kazakhstan and PRC)
	<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 Common Data Model cosponsored by PRC Customs and ADB • Bilateral agreement on exchange of customs statistics signed between Kyrgyz Republic and PRC
	<p>7. Framework for Customs Cooperation</p> <ul style="list-style-type: none"> • Bilateral agreements on mutual administrative assistance and customs cooperation signed 	<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 Regional Committee established consisting of National Trade Facilitation Committees 	<ul style="list-style-type: none"> • Formulation of Mongolia's single electronic window initiated • Study on Trade Logistics Strategy for PRC's Xinjiang Uygur Autonomous Region concluded, with workshop held on April 2006 • Study on an Integrated Trade Facilitation Strategy • Study on Trade Logistics Development for Mongolia launched • Study on Trade Logistics Development for Inner Mongolia Autonomous Region in the PRC launched