



# **Trade Policy Coordinating Committee: Status Report**

**Senior Officials' Meeting  
on Central Asia Regional Economic Cooperation  
10-11 April 2006  
Urumqi, XUAR, People's Republic of China**



## **TPCC SECTOR UPDATE FOR THE SOM MEETING ON APRIL 10-11, 2006**

### **I. INTRODUCTION**

1. The Fourth Meeting of the Trade Policy Coordination Committee (TPCC) of the Central Asia Regional Economic Cooperation (CAREC) program was held in Urumqi, China on April 8, 2006. During the meeting, delegates from participating countries reviewed the progress made in implementation of the instructions from the 4<sup>th</sup> Ministerial Conference of November 2005 and gave guidance on priorities and future direction to the TPCC's work program. Broadly, the delegates emphasized the importance of producing concrete policy reforms in CAREC countries in parallel with continuing analytical work and discussions on trade policy issues.

### **II. REVIEW OF PROGRESS**

2. In line with the communiqué of the 4<sup>th</sup> Ministerial Conference, country delegates to the TPCC reported on the implementation of the recommendations to reduce barriers to transit trade. The recommendations are:

- (i) Ensure full compliance with the provisions of the TIR convention by customs services and other agencies; PRC will take steps to accelerate TIR accession and promote the TIR Customs Transit System in the region.
- (ii) Reduction in the rate of charges for customs convoy under the national transit systems in appropriate countries with simultaneous reductions in the list of goods subject to such convoys (concrete proposals will be developed).
- (iii) Abolition of all other charges and fees on entry (transit) of foreign carriers.
- (iv) Reduction of the cost of entry visas for foreign road carriers and foreseeing the issuance of visas to foreign road carriers at international pass points in a simple way.
- (v) Harmonization of transport, customs, and border documentation in order to harmonize procedures of control at and to minimize time to pass at the border, and
- (vi) Taking measures to prevent and eradicate cases of unofficial payments from road carriers in transit.

The summary report of the presentations by country delegates is attached.

3. In the discussion, the participants noted, with satisfaction, the measures that are being put in place to reduce barriers to transit trade, although the extent of measure varied significantly depending on the circumstances of each country. They also noted that: (i) it will take time to fully implement all the necessary measures; (ii) reciprocity between countries will become an issue as countries move forward with measures; and (iii) some of the issues have to be addressed in coordination with neighboring countries to achieve effective outcomes. Among the measures that are being considered, the TPCC welcomed in particular the intention to introduce "one stop service" for processing of customs and other procedures.

4. The International Monetary Fund and the Asian Development Bank have initiated outreach seminars in each country designed to summarize the analytical work done for the TPCC to date and the implications of this work for the various countries in CAREC. Such

seminars were held in Astana and Bishkek in February 2006. Similar seminars are scheduled to take place in Beijing on April 13 and in Tashkent in May.

5. The country delegates to the TPCC endorsed the continuation of these seminars and noted that in connection with these outreach seminars, separate meetings could also be arranged with trade ministers. There was also a suggestion to consider arranging joint seminars on trade related issues for officials from CAREC countries.

### III. PAPERS PRESENTED AT THE FOURTH TPCC MEETING

6. The EBRD took the lead in preparing a paper, *Beyond Borders: Reconsidering regional trade in Central Asia*. The paper notes that the impact of borders on price variations across different locations in Central Asia is much smaller than conventionally thought. In contrast, it argues that market integration inside countries in Central Asia remains limited. Using a survey of consumer goods, the research shows that for many goods, both the cheapest and the highest regional prices across Central Asia, are found inside Kazakhstan. The analysis suggests further research into the forces behind these intra country barriers. Market concentration, limited infrastructure or corruption are all possible explanations.

7. The delegates noted several factors that could explain the relatively small price variations across borders in Central Asia, including the biased sample of goods covered in the study (consumer goods and goods that are not used in member countries), the price indices used for the analysis, and the use of black market exchange rates that are no longer in existence in most countries. In their view, the findings confirm the existence of smuggling for consumer goods and the consequent small variations in prices across borders despite cross border barriers, and the importance of transportation costs in explaining price differentials which in some cases amounted to 40-45 percent of the cost of a good.

8. There was also some discussion on barriers to border trade led by the Kazakh and Uzbek delegations, which highlighted the complexities of the issues involved. Subsequently, TPCC decided that further work would be needed before it could formulate recommendations to reduce barriers to border trade for consideration of the SOM (see below).

### IV. FUTURE WORK PLAN

9. The TPCC agreed that its agenda going forward should include:

- (i) continued monitoring of the implementation of the recommendations related to barriers to transit trade endorsed by the 4<sup>th</sup> Ministerial Conference;
- (ii) continuing the outreach seminars by the International Monetary Fund and the Asian Development Bank in CAREC countries to increase the awareness of the analytical work that has been done by the TPCC among key decision makers;
- (iii) undertaking further work on barriers to border trade, including a more precise definition of what is meant by border trade, identification of issues involved in border trade, and formulation of recommendations to address these issues. The Kazakh delegation agreed to continue to lead the work in this area and prepare a paper for the next TPCC meeting, with support from the Asian Development Bank.
- (iv) preparing papers, as agreed in the previous meeting, on quantitative restrictions to trade in CAREC countries and on trade taxes in CAREC countries. The Asian Development Bank agreed to take the lead in preparing the paper on quantitative restrictions and the

International Monetary Fund agreed to take the lead in preparing the paper on trade taxes. A summary outline of the paper on quantitative restrictions was approved by the TPCC and the country delegations agreed to provide the necessary inputs for its production.

#### **V. RECOMMENDATIONS FOR CONSIDERATION BY THE SOM**

10. Based on the discussions, the TPCC agreed to recommend for consideration of the Senior Officials Meeting the following issues:

(i) there should be greater predictability and more transparency in trade policies of CARs, including through more information on existing restrictions as well as closer monitoring of changes in policies. Modalities as to how these will be achieved will be decided in the future.

(ii) given the overlapping nature of issues addressed by the Trade Policy Committee and the Trade Facilitation Committee, there should be more interaction between these two committees. Similarly, a closer cooperation among officials dealing with these two issues in each member country is also essential.

(iii) given the role of the private sector in trade, there should be more involvement and participation of the private sector in CAREC activities. To this end, it is proposed to organize a business forum in Urumqi prior to the next Ministerial Conference.

## **Implementation of the TPCC recommendations for measures aimed at reducing the existing barriers to transit trade in Central Asia**

### **1. Ensure full compliance with the provisions of the TIR Convention by customs services and other agencies; PRC will take steps to accelerate TIR accession and promote the TIR Customs Transit System in the region.**

**AFG:** Afghanistan has initiated rejoining of the TIR system. The about to be implemented ASYCUDA and Single Administration Document (SAD) will facilitate this. However a major challenge remains in the form of ageing Afghan truck fleet that our neighbors do not consider roadworthy.

**AZE:** As known, Azerbaijan is a member of TIR Convention and ensures compliance with it.

**PRC:** (a) A research has been conducted by the General Administration of Customs of China. The accession work is expected to be completed in a year or two.

(b) A seminar on TIR Convention co-sponsored by ADB was held on Oct. 19-21, 2005 in Shanghai. Representatives from WCO, UNECE and IRU participated in the event.

(c) Officials were sent to UNCEC to learn about the TIR Convention and make feasibility study. Exchange of views was made with experts of UNECE on the provisions and the implementation of the TIR Convention.

**KAZ:** The Government of the Republic of Kazakhstan ensures systematic control over customs authorities' compliance with TIR Convention requirements. Previously this was ensured through Government decisions and Customs Code, recently several Government resolutions were issued.

**KGZ:** There are no violations of TIR Convention by Kyrgyz Republic, and there were no claims from foreign carriers regarding some violations submitted to the Ministry of Transport and Communications of Kyrgyz Republic. In case a carrier moves under TIR carnet and payments of customs duties and taxes is ensured, the customs convoy on the territory of Kyrgyz Republic is not envisaged.

**MON:** The Seventh Working Group Meeting on the Tripartite Transit Traffic Framework Agreement between the Governments of Mongolia, the Russian Federation and the People's Republic of China took place in Ulaanbaatar from 13-18 November 2005. During the meeting the parties came to an agreement on four earlier pending paragraphs of the main text and thus successfully concluded the negotiations on the general text of the Agreement. The necessary follow-up work for signing the Agreement at the level of the Ministers of Foreign Affairs is being undertaken currently. *[These measures also respond to the recommendations 2-3 below].*

**TAJ:** Tajikistan is an observer in TIR Convention and takes all measures to ensure control over customs authorities for compliance with this Convention.

**UZB:** A resolution of the President was passed in March 2006 aimed at improving the customs operations. This resolution envisages the introduction a single automated customs system enabling a significant reduction in control procedures at the border and the time spent at the border by transporters.

At the same time a modern format for controls of transit cargo and an automated system for monitoring transit are being introduced, as well as modern customs control devices. This system will also allow to introduce the system of electronic declaration filing, pre-arrival electronic notifications about cargo flows, etc.

All these measures are aimed at implementing the recommendations of the TPCC, CAREC in the area of (1) ensuring control over customs bodies and other controlling bodies on full compliance with provisions of the TIR Convention, (2) a consistent reduction of customs escort procedures, (3) prior visas requests for foreign transporters and acceleration of the visa issuance process, (4) harmonization of the customs declaration and transforming some of them into an electronic format, (5) minimization of the human factor as the major cause of informal payments. *[These measures also respond to the recommendations 2-4 below].*

**2. Reduction in the rate of charges for customs convoy under the national transit systems in appropriate countries with simultaneous reductions in the list of goods subject to such convoys; concrete proposals to these ends will be developed by the time of the next Trade Policy Coordinating Committee meeting.**

**AFG:** Not applicable. ASYCUDA handles this problem for Afghanistan.

**AZE:** Azerbaijan is looking into the issue of reducing customs convoy rates within the national transit system in accordance with corresponding international conventions.

**PRC:** The charges for custom convoys do not exist in China since there is no such kind of service from the Customs in China.

**KAZ:** Being reviewed. Abolished for agricultural products (vegetables, fruits and melons and gourds), for example, the customs convoy.

**KGZ:** In Kyrgyzstan the principle of free of charge transit without any fees is applied in case Kyrgyz permission certificates are available, except for penalties applied for violation of provisions and requirements stipulated in bilateral international road transport agreements. Without appropriate permission certificates, foreign carriers pay US\$50 for transit on Kyrgyz territory.

For all foreign transport units with carrying capacity of over 10 tons, US\$60 fee is set for crossing a tunnel on the Bishkek-Osh road.

Customs convoy is envisaged only for excise goods, however, there is practically no transit of such goods through the territory of Kyrgyz Republic.

Pursuant to Customs Code of Kyrgyz Republic (Article 240) a customs fee in the amount of one minimal wage per hour of goods and vehicles convoy on the territory of Kyrgyz Republic is set for customs convoy of each transport unit carrying goods under customs control.

**MON:** See 1 above.

**TAJ:** The list of goods subject to customs convoy includes only excise goods, the list of which is being gradually reduced.

**UZB:** See 1 above.

### **3. Abolition of all other charges and fees on entry and transit of foreign road carriers.**

**AFG:** This is beset by the problems of reciprocity. Pakistan, for example, doesn't charge Afghan trucks any fees, we do not charge theirs. Other neighbors either levy heavy charges or do not allow Afghan trucks at all.

**AZE:** In this area one should note the Law of the Republic of Azerbaijan "On amendments and addenda to Tax Code of the RA" (dated December 3, 2004), which provides for increased stay of foreign cargo transport units on the territory of Azerbaijan from one to two weeks, without changing the amount of road tax collected (up to 4 axels – US\$40, 4 and more axels – US\$80).

**PRC:** Foreign road carriers may be charged transport fees in two ways in accordance with multilateral or bilateral transport agreements. One is road maintenance fee, and the other is toll-road fee. Road maintenance fee could be exempted if reciprocity arrangement is made, and toll-road fee is charged based on the national treatment.

**KAZ:** Being reviewed. Road fees can not be abolished. In Kazakhstan the payments differentiate depending on the excess in axel road of a transport unit.

**KGZ:** No other fees and payments are collected on entry (transit) of foreign road carriers on the territory of Kyrgyz Republic.

**MON:** See 1 above.

Also, working groups with regard to the Annexes of the abovementioned Agreement have been established and they are working on drafting the relevant documents and preparing for the negotiations. For preparatory purposes we believe it would be useful to organize a national seminar on the issue of trade support in Ulaanbaatar in cooperation with an international organization as well as to get the expertise advice from international organizations. *[These measures also respond to the recommendations 5-6 below.]*

**TAJ:** There are no other fees and payments in the country, except those stipulated in Customs Code of the Republic of Tajikistan.

**UZB:** See 1 above.

### **4. Reduction of the cost of entry visas for drivers of foreign road carriers and issuance of visas to them at international pass points in a simple way.**

**AFG:** This is something we have been working on for a long time on a bilateral basis. Reciprocity, again, is the key issue; rather than Afghanistan will to reduce visa costs.

**AZE:** Currently visas are not issued at border posts in Azerbaijan, This issue could be looked at in the process of Azerbaijan's accession to WTO.

**PRC:** The visa fee is charged based on the principle of reciprocity. China implements simplified procedures in visa application. In addition, foreigners could directly go to Chinese embassies and consulates general to apply for multiple-entry visas valid for 2 years. To those foreigners who hold an invitation from China but have not got visas before entering China, they can apply for immediate visas at 47 ports in 32 cities.

**KGZ:** MFA of the Kyrgyz Republic proposes to address this issue through separate agreements with each specific country.

**TAJ:** The matter is being reviewed. Currently we are studying the experience of Turkey and Iran, and based on its results a corresponding proposal to the Government of Tajikistan is being prepared.

**UZB:** See 1 above.

Also, an intergovernmental agreement has been signed between the Government of the Republic of Uzbekistan and the Government of the Republic of Kazakhstan on international road transportation (March 20, 2006). The agreement provides for a substantial reduction in non-physical barriers to international road transport in the territories of the two countries by reducing fee rates, reducing their list and eliminating the system of entry permits.

##### **5. Harmonization of transport, customs, and border documentation in order to simplify procedures of control at and to minimize time to pass at the border.**

**AFG:** ASYCUDA and SAD will greatly rationalize and simplify customs and transit documentation.

**AZE:** For this purpose, Azerbaijan promotes the process of introducing automated systems at borders (border posts).

**PRC:** Steps have been taken to promote harmonization of transport, customs and border documentation and further simplify clearance procedures. Current status and requirements in each sector are as follows:

- (a) Foreign road carriers with the International Motor Transport License issued by China are allowed to enter China, and their operations are permitted in accordance with their business scope and relevant regulations.
- (b) China is holding bilateral discussions with Kazakhstan and Mongolia on the unification of the manifest and studying the feasibility of implementing one stop inspection.
- (c) The entry and departure card of China is in compliance with international standards.

**KAZ:** Fulfilled. Besides, Kazakhstan is working out the issue of expedited “one stop service” processing of customs and other procedures with neighboring countries.

**KGZ:** According to the Law #176 dated August 1, 2003, Kyrgyz Republic ratified the Agreement on transit procedure through the territory of CIS-member countries as of June 4, 1999.

To simplify procedures for goods and people crossing KGZ-KAZ border under “one stop service” principle and Agreement between KGZ and KAZ Governments on Joint Control at KGZ-KAZ Border was prepared. This principle is being temporarily piloted at Ak-Jol border crossing.

**MON:** See 3 above.

The Mongolian National Chamber of Commerce and Industry together with the Asian Development Bank held a seminar on 8 February 2006 and introduced to the participants from the relevant ministries, agencies, private sector and non-governmental organizations its joint studies to be undertaken in the coming few months.

The General Customs Office in collaboration with the Asian Development Bank organized a seminar on the topic of "Trade Facilitation and the Investment Issues for Customs Modernization (9 February 2006).

The 1st Council Meeting on Logistics was held on 24 February 2006 under the auspicious of the National Chamber of Commerce and Industry.

**TAJ:** This issue is covered in certain IFIs projects.

**UZB:** The Republic of Uzbekistan is taking measures to adhere to the Framework Standards to Secure and Facilitate Trade adopted by the General Council of the World Customs Organization in June 2005. In accordance with those standards, with respect to the furnishing of modern equipment for non-intrusive controls, especially for large-size containers and vehicles, we are working on the question of equipping the most heavily-used customs posts with customs inspection systems.

#### **6. Taking measures to prevent and eradicate cases of unofficial payments from road carriers in transit.**

**AFG:** This problem, obviously has deep roots. Solving it requires a multi agency / organ cooperation. The Afghan Customs Department has seriously engaged other agencies to tackle and eliminate this practice.

**AZE:** In this area the Law on combating corruption was adopted and covers a number of areas, including the abovementioned.

**PRC:** There are no unofficial charged on road carriers in transit since China has not signed any agreement on transit transport with CAREC members. The normal charges have been indicated in item 3.

**KAZ:** Government decisions aimed at preventing violations in customs processing and cargo transit through Kazakhstan territory are made. Customs procedures are being automated.

**KGZ:** Appropriate authorities of the Kyrgyz Republic conduct ongoing and planned work to eliminate cases of unofficial payments from road carriers in transit or at entry/exit.

**MON:** See 3 above.

**TAJ:** The issue is continuously attended by the Government, Only in the last year certain officers of corresponding services were called for criminal and administrative liability.